ATIONAL BUSINESS REVIEW

60 cents

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ut-rate fare discounter flies nto travel industry flak

Warren Berryman

Ministry of Transport is igating a cut-rate in- tional air fare gement involving Air Zealand, Belgium's, a Airlines, and a New nd tour operator.

investigation was ed by the Travel Agents lation of New Zealand NZ), which brought to the try's attention a round- orld fare offered by the land-based Link iation, and its associated nies.

k is offering a round-the- fare at a price 26 per below that charged by Z members.

NZ members claim they e no way to drop fares to te with those offered by nd still abide by the air regulations.

NZ members claim they know exactly how Link discount fares to this e.

TAANZ has provided the ry with an air ticket on a Sabena ticket for travel between the ing points; Now d, Los Angeles, New Brussels, London, the ent, and return to New d via Singapore. The is valid for one year and ers can be made at any e points en route.

price written on this was the approved price 47, a combination .. the ay full fare to London return excursion fare. the passenger paid only for the ticket.

The Ministry of Transport has asked both Link and Air New Zealand to explain where the $427 difference between the price written on the ticket and the price actually paid came from.

Most of Link's business is on the New Zealand-Europe-UK route.

Link's business generally goes to Air New Zealand and Sabena.

Link holds the General Service Agency for Sabena in this country through an associate company; Consolidated Air Services.

Link has 240,000 members in New Zealand. Membership fees are $6 a family.

Members can join one day and fly the next.

Link fills an estimated 10,000 seats a year for Air New Zealand.

TAANZ executive director Peter Lowry said Link was a TAANZ member and his association did not do its washing in public.

But as a matter of principle any travel package or fare should be available to all consumers or agents on an equal basis and not just to certain agents or a certain class of the public.

"We want to protect the consumer so they all have the best deal possible and the travel agent of their choice", he said.

It is understood that some TAANZ members hope the present inquiry will lead to the same sort of air fare pricing review recently conducted in Australia.

Australian inquiries revealed a complicated network of commissions and kickbacks between airlines and certain travel agents and resulted in a total overhaul of that country's aviation policy.

One casualty of that overhaul was Air New Zealand, which was effectively cut out of the Australia — United States travel market.

Air New Zealand's special relationship with Australia's cut-rate tour operator Jetset, provided it with an estimated 30 per cent of its United States bound traffic. The relationship also drew strong criticism from the Australian travel industry.

The Link Association was established 10 years ago to promote the interests of European emigrants to this country. It was founded by a Dutchman, Louis Kuys, and a Swiss, Henry Sigerist.

Sigerist was formerly head man for UTA in this country.

Sigerist did not dispute the $427 difference between the price shown on the air ticket and the price paid by the traveller. This price was offered to Link members — not the general public.

The difference between the ticket price and the price paid to the airlines was paid by the Link Association of Clubs and Migrant Organisations in New Zealand Incorporated.

The Link Association was a non-profit incorporated society, according to Sigerist.

So where did the Link Association get the money to pay out this sort of passenger rebates? And did the money come from Sabena and or Air New Zealand as some TAANZ members speculated?

Sigerist said: "Far too many people speculate without having any facts. I'm not prepared to give any facts and details out. Why should I disclose my way of doing business so others can imitate me?

"This is fair competition. We are running a club that offers facilities to members which obviously the general public cannot get. That is the purpose of having a club.

"It's a free enterprise countr... nounced ...worth ...AANZ has no right to ...e in the activities ...e on ws... ployer.

"In the ...as p...lace they should not ...d our newspaper. It's n... them but for Link members only," he said.

The company office file on The Link Association contains the society's accounts for those years since its be...ing.

The accounts for ... year ending June 30, 1977, show the society's income at $29,857. This income was made up of membership fees, advertising,

Continued on Page 16

Inside:

A BITTER, bloody spring is forecast as trade unions put the finishing touches to big wage claims employers are equally determined to resist — Page 3.

HOPES of a reprieve for the boat industry, in the wake of a 20 per cent sales tax imposition are fading and individual companies are plotting survival footwork. Helen Vause looks at the future of a fragmented industry — Pages 28-29.

POST Office and Social Welfare officials have devised a system they hope will slash the cost to the State of benefits pocketed by petty criminals — Belinda Gillespie looks at the latest anti-fraud measures. — Page 32.

x cut hits lawyers' earnings

Rae Mazengarb

...ition of the Property ...ion Tax could reduce rs earnings by some $2 n a year: but lawyers harging on the scale of yancing will be charging least $30 worth of work will no longer have to do.

Budget abolished the n line with National's se in its 1978 election esto since it had outlived estionable usefulness.

ere $90,000 revenue was ted from the tax last ial year, of total tax s of $6,095,000,000.

responsibility had been d on lawyers to process roperty speculation tax, because the processing not a matter normally ed by a scale charge, it up to lawyers (or their s) to assess the charge. le Newland, president of Auckland Property Owner's Association, last year suggested lawyers were charging about $30 to process each property tax certificate.

With about 55,000 property sales each year, that would make an income for solicitors of nearly $2 million.

The secretary general of the New Zealand Law Society, W M Rogers, did not dispute that figure. But he said lawyers were entitled to charge a fair fee.

Solicitors have gained more from the imposition of the tax than Government.

The tax take of $346,000 in the 1974-5 financial year took a dive to a pathetic $90,000 in the year ended March this year.

But when the new scale of professional charges was introduced in August last year, lawyers were reminded that the scale now covers property speculation tax certificates, registration abstracts and notices of sale.

Since property speculation tax certificates and registration abstracts were not in existence when the old scale was prepared it was considered unfair to expect a client to pay a scale fee for the transfer of a property and then pay an additional fee for work that must be done before title can be obtained.

If the tax were ever abolished, that would have to be taken into account when the scale was next reviewed, it was then suggested by Tim Broad, assistant secretary of the NZLS.

With the tax now gone, no doubt the scale will be reviewed and amended accordingly.

But in the absence of review it looks as if property sellers will be paying for a service they won't be getting.

It may be for each individual client to raise the matter of fees with his lawyer.

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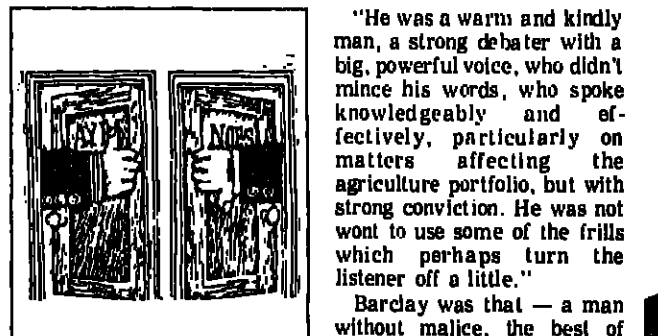


POLITICS

by Colin James

"MOST of all, I think one remembers him as a man who, meeting on a social occasion or in the corridors, would always have a smile, a pleasant word, no matter who he was talking to.

"He was one of the kinder members during my time in the House and one whom it was always a pleasure to meet, whatever the circumstances."

It is one of the paradoxes of the Prime Minister, who has wounded more people than most politicians, that he is capable of an accurate generosity about others when the occasion calls for it.

His comments above were about Bruce Barclay, the genial, craggy giant from Christchurch Central, who had died the day before.

More astutely than any other in the parliamentary tributes to Barclay, the Prime Minister pointed up the Christchurch MP's essential qualities.

Barclay's conduct, he said, was no different in the House from out of it.

"He was not the kind of antagonist that some of us are across the House. He was a man who made no enemies while he was there.

"He was a warm and kindly man, a strong debater with a big, powerful voice, who didn't mince his words, who spoke knowledgeably and effectively, particularly on matters affecting the agriculture portfolio, but with strong conviction. He was not wont to use some of the frills which perhaps turn the listener off a little."

Barclay was that — a man without malice, the best of human beings to inhabit the Hill. Chief Labour whip Russell Marshall said his having no enemies was not just an absence of enmity, on the part of people he met, it was a positive friendship.

Marshall was right. Literally everybody did like Barclay. MPs, staff, journalists, pressure group representatives, party members, constituents. I have found no one who didn't.

BRUCE BARCLAY

He was a generous, humble man, no trapeze artist. So low was his public profile that, even though he was an Undersecretary, fellow MP Michael Bassett's gossipy book on the third Labour Government failed to mention him.

Yet Barclay's practical grasp of farming problems — he was a farmer himself — plus his sound grounding in reformist Labour ideals provided some useful motive power for Colin Moyle's high flying act as Agriculture Minister.

Staff say he was clear and precise in what he wanted from them. In Opposition he built up a network of informants and sounding-points that is now bearing fruit in party agriculure policy-making. He would have been minister in a Labour Government.

I have always argued the elitist merits of the highly intelligent, preferably degreed, MP, the person with sophisticated intellectual or administrative skills.

Barclay had neither. Beside the quicksilver Langes, Warings, Tizards or Muldoons, he was a plodder.

But he had the skill of practical commonsense and patient good humour. He brought home to me the value to Parliament of a leavening of the right sort of sensible, ordinary bloke.

Once last year, when he thought he was clear of his cancer, he said to me that he had been lucky, where Sir Roy Jack had not.

Sadly, he hadn't. But the comment showed two things: cheerful optimism; and positive outlook.

He brought those qualities to his politics, preferring almost invariably the constructive to the destructive, the principle to the expedient. We're the better for it.

Safe seats leave parties with blank cheques

by Colin James

SOMETIME in the next few weeks we, the bystanders, will be treated to an example of New Zealand democratic electoral politics at work.

Six people, with a little help from maybe about 100 more, will meet to decide who shall represent the electorate of Christchurch Central in Parliament.

Then those who lean Labourwards in that electorate will be invited to acclaim the choice. If past experience is anything to go by, somewhere between 6000 and 8000 will.

That is what is known as a by-election in a safe seat.

Only the very dense or the supremely optimistic or pessimistic doubt that the Labour Party's candidate will win.

Yet so deep is the Anglo-Saxon's love of parlour games, that a remarkable number of people will play their part in the charade.

You've got it: crowds of voters crossing out names on ballot papers — "demo"; vacuous speeches exhorting voters to the demo — "crass"; the ritual squeal of delight of the elected member — "ee".

Still, by-elections have a place, apart from bringing up the numbers in the House. Some people think you can measure the Government's popularity by them.

In 1959 Lance Adams-Schneider cemented Hamilton for National with a sizable swing that was widely thought to be an adverse comment on the Labour Government's Black Budget of the year before.

Amid rock bottom wool prices in 1967, Labour's Bruce Barclay nearly took Fendalton — the seat it had been thought impossible for a National Government to lose.

In 1970 rising tides of prices and Manapouri protests swamped National's attempt to hold Marlborough, causing a traumatic psychological paralysis in the Government from which it did not recover before its demise in 1972.

So the political analysts will be out in force after the Christchurch Central by-election. Will it, for instance, vindicate the NRB poll published last month?

There are no published poll figures for 1959 and 1967, but in November, 1970, NRB showed a 16-point Labour lead. Last month's Labour lead was 10 points, its best since the Rowling Administration's honeymoon in 1974.

The ebb tide even carried out with it National's star poll performer, the Prime Minister. Mouse Rowling crept ahead of Rough-house Rob by one percentage point as the person the poll respondents most wanted to be PM.

Ignominy piles on ignominy.

Near-defeat in November was bad enough. It seemed to take until last week, when the Budget was out and he had the Public Service Association by the short-and-curlies for the Prime Minister to recover his old jauntiness. And now this. - — - - -

By any ordinary standards, being only one point behind after 3½ years of dismal economic news would be thought pretty creditable.

But from such a height has he fallen, that this finding will swell the ranks of those (including some in his party) who think he is on the way out.

The loss of a by-election in a marginal seat — to Social Credit in Kaipara, for instance, or in any one of the dozen seats vulnerable to Labour — or even a big Labour gain in a Labour marginal would make rehabilitation even more difficult.

But the by-election is in a safe Labour seat. In safe seats you can get some odd results.

One week in Britain in [illegible] for example, swings to the Tories in three safe Labour seats ranged from 10.6 per cent to 27.3 per cent. The overall message was clear, but detailed analysis of any one of those results would have been futile.

National could bury any possibility of adverse comparison with last year's election in Christchurch if it did not put up a candidate this time. But the party has already said it will contest the seat.

The by-election's value to the political bystander is not the meaning of its results but in its demonstration of the way we select our MPs.

Three people appointed by Labour's head office, three elected by delegates of the electorate committee, aided though not bound by a straw vote of members who go to the selection meeting, will decide the MP for the district.

That method may pass for democracy. More democratic would be some sort of public participation — of registered Labour voters perhaps, or all voters.

In marginal seats the country is not stuck with the result for good. But in safe seats, selection (plus subsequent politeness to the right people) means life tenure.

In the past both political parties have put some solid dunderheads into safe seats. In time, a fair number of those dunderheads have got into the Cabinet, largely because they survive swings that toss out better people in the marginals.

Things may be looking up. This year's crop of new MPs, those in safe seats included, is a cut above any I have seen in more than a decade.

But the democratic principle remains. Should we continue to leave a blank cheque for the parties?

Page 6
Good news for
the out-of-towner
SPT 3

Pressure builds behind a dam of wage claims

by John Draper

A BITTER, bloody spring is forecast as trade unions put the finishing touches to big wage claims which employers are equally determined to resist.

Only one question hangs over the looming battle: when — if at all — will the Government choose to intervene?

Already some unions are resorting to guerrilla warfare after the main attack has been repulsed.

The Drivers' Federation is letting individual branches fights their own battles and it is unlikely the main award talks which broke down last week will reconvene.

Road transport operators, if they obey the directives of the Employers' Federation, will strongly resist the drivers' tactics which are resulting in sporadic bans and strikes around the country.

The drivers' award starts the annual wage bargaining round and normally sets the tone for the bargaining season, in particular, rates for the unskilled.

The drivers had no intention of settling the main award. Union secretary Ken Douglas made it clear at a press conference before the talks opened that a settlement was unlikely and a contingency plan had been prepared.

Branch officers and delegates met in Wellington the day before the award talks began ostensibly for a seminar on wage bargaining and therefore at the taxpayer's expense as part of a Government-sponsored industrial training scheme.

The talks themselves degenerated into a battle between economists from both sides and the delegates returned home fully briefed for the following fight.

Technical experts for the employers and unions will be doing most of the talking before award negotiations almost certainly break down as the year wears on.

The Employers' Federation has been surveying members and employing more staff this year to analyse the results and prepare cases.

Trade unions are adopting the same tactics.

In past years employer groups wanting to get tough with the unions have been thwarted by members willing to break ranks.

This year the federation is making it plain to the groups it will be representing that they can only hope to win by all standing firm.

Traditionally skilled workers' rates have been set by the electrical supply authorities award and by the metal trades award.

Electricians have benefited from a ratchet which has clawed wages upwards based on the increases given to State employees by the ruling rates survey. That survey, in turn, is based on the rates paid to electricians outside the State service.

This year the ratchet is showing a 9.8 per cent increase. But this will not satisfy the electricians.

Last year the employers attempted to break the ratchet effect, but this year the electricians may concede in return for some inflation-linked index.

Inflation will figure largely in all wage claims. With an annual rate likely to be around 13 per cent by the end of September and 15 per cent by December, big claims are certain.

Skilled unions are determined to at least keep pace with rising cost of living.

Unskilled workers are likely to be even more militant. As the lowest paid they are taking the brunt of the Government's price increases on milk, bread, electricity, and rail fares as well as private sector rises.

The Federation of Labour's application for a minimum cash in hand living wage of $123.80 may take the steam out of the storemen, packers and shop employees wage claims but tradesmen will be demanding that their margins for skill are at least maintained.

The Employers Federation has calculated the effects of the October tax cuts and increase in family benefit announced in the Budget to be worth up to a four per cent rise on wages.

Employers regard the Budget as putting the emphasis firmly on after tax wages rather than gross pay and are taking heart from the Prime Minister's clear warning that excessive wage rises will not be tolerated.

Employers, like the Budget, are putting the emphasis firmly on export industries and measuring wage rises against those industries' ability to pay.

A recent survey by the federation covering manufacturers and processors exporting $278 million worth of goods indicates that all costs, including wages, can rise by no more than 8-10 per cent if they are to remain competitive.

Not surprisingly, the unions dismiss the employers' economic arguments, claiming that exports are not that price sensitive.

The battle lines are drawn; employers are offering less than 10 per cent, the unions are likely to claim 20 per cent

If talks break down as both sides dig in, the unions are likely to start picking off employers who they consider can afford to pay by using bans, working to rule or striking.

Public and private unions go a courting

by Mary Varnham

KEN DOUGLAS was hard at work last week, taking up his duties as FoL secretary, and the federation was showing signs of a new, assertive posture under the presidency of his predecessor, Jim Knox.

In what one executive member described as "a major breakthrough", representatives of the CSU and the PSA had consultations — the first ever of their kind — with the FoL over the electricity workers' dispute and the Government's PSA derecognition threat.

Strong winds of change for the labour movement in New Zealand. Unlike many other countries, the public and private sector unions (and unionists) here have tended to remain zealously separate.

. And it seems that the communication trails, now that they've been blazed, are likely to remain open. Representatives of the National Union of Railwaymen, a part of the CSU, received "forceful advice" from the FoL executive on the rail freight forwarding dispute last Wednesday and were reportedly offered Knox's support in their dealings with Railways Minister McLachlan.

Another significant sign — the PSA has invited Knox to address its annual conference in August, the first time an FoL president will have done so. (Word has it however, that Knox may be in Manila at the time, in which case, the honour will pass to Douglas.)

Though Prime Minister Rob Muldoon has often waxed lyrical about amalgamation of unions, this sort of coming together may not be exactly what he had in mind.

In the meantime, Ken Douglas's phasing out in the drivers' arena will leave a few important holes to be filled.

The secretary position of the Wellington Drivers Union probably will be taken up in the interim by Manawatu drivers' organiser Jackson Smith. Smith, an SUP member, is also president of the Manawatu Trades Council.

The permanent office-holder will be chosen by ballot at the October-November round of stopwork meetings and right now it's anybody's guess.

Even more open to speculation is who will don Douglas's other hat, president of the Drivers' Federation.

There are no obvious successors on the horizon and those who might have thoughts on the matter are keeping them to themselves.

The fact is there's no rush. For one thing, Douglas, although maintaining a high profile at the recent doomed-before-they-started general drivers' award negotiations, has effectively delegated much of the day-to-day scramble to his staff in general, and advocate Rob Campbell in particular. For another, he will not relinquish the presidency until the next annual conference, scheduled for April 1980.

EDITORIAL

Rob Muldoon is a pragmatist. And so he is now pressing to extend his freedom to make decisions without reference to the public's elected representatives. He wants the freedom to change income tax rates — a right that, in Westminster-style democracies, for centuries has been jealously guarded by Parliament.

Muldoon emphasises a need for flexibility in policy-making to keep the economy on a "steady course", and maintains that recalling Parliament to authorise fiscal measures is "not always practicable".

Indeed, it is alarming to learn from the Prime Minister that "a very dangerous situation" needing immediate action from the Government could develop: and that giving him the power to alter tax rates could be "the difference between sliding into a recession which we can do quite rapidly, and keeping activity up".

Perhaps Muldoon's strongest argument is that unless he can move as he proposes, the wishes of Parliament will be thwarted because, in real terms, taxes are being increased through inflation and rapidly rising incomes. Thus, fiscal drag results in a greater proportion of the national income being taken in tax than Parliament intended.

But as the then president of the New Zealand Chambers of Commerce, Mr Greenfield, counters, the changes in the tax rates are not minor matters, and the fact that changes become necessary is the end result of economic factors which should be fully debated in public.

Fundamentally, if the executive can be empowered to reduce income tax by regulation, it can be empowered to increase taxation. Thus a crucial constitutional principle is at issue.

Since the proposal was announced on Budget night, Muldoon himself seems to have recognised at least that the idea is under strong criticism. So now he is disclaiming originating the idea. It had come from department officials, he said last week, but had been closely studied by the Government before being aired publicly. And he insists that any move the Cabinet took would have to be confirmed by Parliament (although he declined to say when).

Disquieted backbenchers may be tempted to accept a compromise — for example, calling Parliament to ratify such a regulation within 14 days. A parallel provision in the Public Safety Conservation Act requires that a Proclamation of Emergency be ratified in 14 days, or it will lapse.

Much better would be insistence on changing Standing Orders for Parliament to be called together for a specific purpose without the rigmarole of a Speech-from-the-Throne and Address-in-Reply.

Regardless of these possibilities, it remains a dubious proposition that Parliament could not now be summoned in time to act quickly. In 1971, it was called together promptly in February for the Stabilisation of Remuneration Act to be passed. The measure was considered too important to be effected by regulation (although it could have been done that way under the Economic Stabilisation Act). And in 1958, Parliament was called when the Labour Government wanted to give everybody a tax rebate (in effect, a tax reduction).

And when it comes to a question of avoiding the problems of fiscal drag, it is a simple measure to index the tax rate so that Parliament's wishes are not thwarted.

Even after Muldoon put his arguments to them last week, some National backbenchers reportedly remained unconvinced. Muldoon said he was sure common sense would prevail.

Here's hoping it does — and that every right-thinking backbencher firmly cautions the Prime Minister that they will cross the House to ensure that this Bill is defeated. If the Bill proceeds nevertheless, they must then put that promise to good effect and vote with the Opposition.

Bob Edlin.

HOW to make farmers produce more and help the country climb out of the economic mire is a problem long troubling politicians and academics alike.

But we hear that Agriculture Minister and sometime farmer Duncan McIntyre has found the answer.

Some farming friends of ours say he has made it known to them — and maybe around the Cabinet table — that the only way to boost production is to get farmers on their beam ends so they have no choice but to produce more to survive.

●

ROB Muldoon doesn't seem able to get this free enterprise thing straight in his mind. Economists, businessmen, and his own blue ribbon National Party supporters — to say nothing of his Treasury advisors — have been applying not so gentle pressure on the PM to turn from his centralist — socialist ways and return to the free enterprise principles of the party.

So when Muldoon opened the Export Services Fair in Auckland the other day, he spoke with fervour about the virtues of free enterprise and individual initiative in the export field.

Great stuff for the predominantly entrepreneurial audience. But Muldoon spoiled the effect with his opening remarks. How appropriate it was for the Export Institute to open their fair straight on the heels of his (Muldoon's) budget, he said.

This left some of the audience pondering the incompatibility of a stage managed economy with private enterprise harnessed to political interest and the principles of laissez faire capitalism.

Someone was actually rude enough to point out, sotto voce, that the fair was organised to acquaint exporters with the services available to them and not as an adjunct to Muldoon's fancy fiscal ploys.

●

WITHOUT WORD OF A LIE

DISTANCE disadvantages New Zealand in the international tourism stakes. And our Government's policy of protecting Air New Zealand from fare cutting competition makes the kilometres dearer still.

But when it comes to tourist thwarting protectionism, Wellington has nothing on Canberra.

West Australia, with its large Kiwi population is a natural for the visiting friends and relatives tourist market to New Zealand and visa versa.

And when it comes to contrast, the Sandgropers would find this green and pleasant land as inviting as the Kiwi would find West Australia's tinted vastness exciting.

Trouble is, Canberra's two-airline policy protecting TAA and Ansett, prices both West Australia and New Zealand out of each other's market.

The only direct service between Auckland and Perth is offered by British Airways who would like to offer cheap fares on this route. But Canberra says, "no way".

The Auckland-Perth fare is A$367 one way; made up of Auckland-Melbourne $A190 and Melbourne-Perth $A177. The high price paid for the Australian internal section results from Canberra's refusal to allow British Airways to undercut TAA and Ansett's prices — even though the internal Australian section is an extension of an international flight.

The recently announced cheap trans-Tasman fare is not available to British Airways as part of an Auckland-Perth fare.

Also two special domestic cut rate fares cannot be used to lower the fares out of West Australia. One of these: the "add on fare" applies to Australian originated travel and can be used by any international airline having rights on Australian domestic routes. This can be used by any airline going to the United Kingdom, Germany, Yugoslavia, the Netherlands, Canada, and the United States — but not to New Zealand.

The other — a 30 per cent reduction, is available to TAA and Ansett and any international carrier with travel rights on Australian domestic routes over 1005 kilometres.

But inside the country it is available only to the two Australian domestic airlines.

So once again the Sandgropers are kept extra travel dollars away from a holiday in New Zealand.

●

NEW Zealand's anti-litter lobby has been keeping a close watch on the results of American legislation banning the one way beverage container.

American laws requiring deposits on all drink bottles have proven remarkably effective in keeping bottles off the verges of America's highways and byways.

This information has come to this country's eager environmentalists. What has not come home is that this environmental protection carries a heavy cost to the consumer.

Michigan passed an anti-litter law late last year requiring consumers to pay refundable deposits on all drink containers — whether refillable or not.

Deposits were: five cents on all refillable bottles that could be used by more than one company, 10 cents on bottles unique to one company, ... cents on litre and large glass bottles, and 10 cents on large plastic bottles.

The result: less litter. And 15 to 30 per cent increase in beer prices within six months.

The cost of handling returns by bottlers, retailers, and distributors pushed up the cost of a six-pack by 20 to 30 cents.

The conservation lobby accused drink manufacturers of using the anti-litter law to push up their prices. It is claimed that, as 10 per cent of the bottles were never returned, the beverage industry retailer, or whoever originated the deposit, ended up with millions of dollars in unclaimed deposits.

Michigan is seen as a test case for this sort of anti-litter legislation in the United States.

New Zealand usually follows in American footsteps in such matters (for better or worse) it might be wise to watch the consumer as well as the container.

●

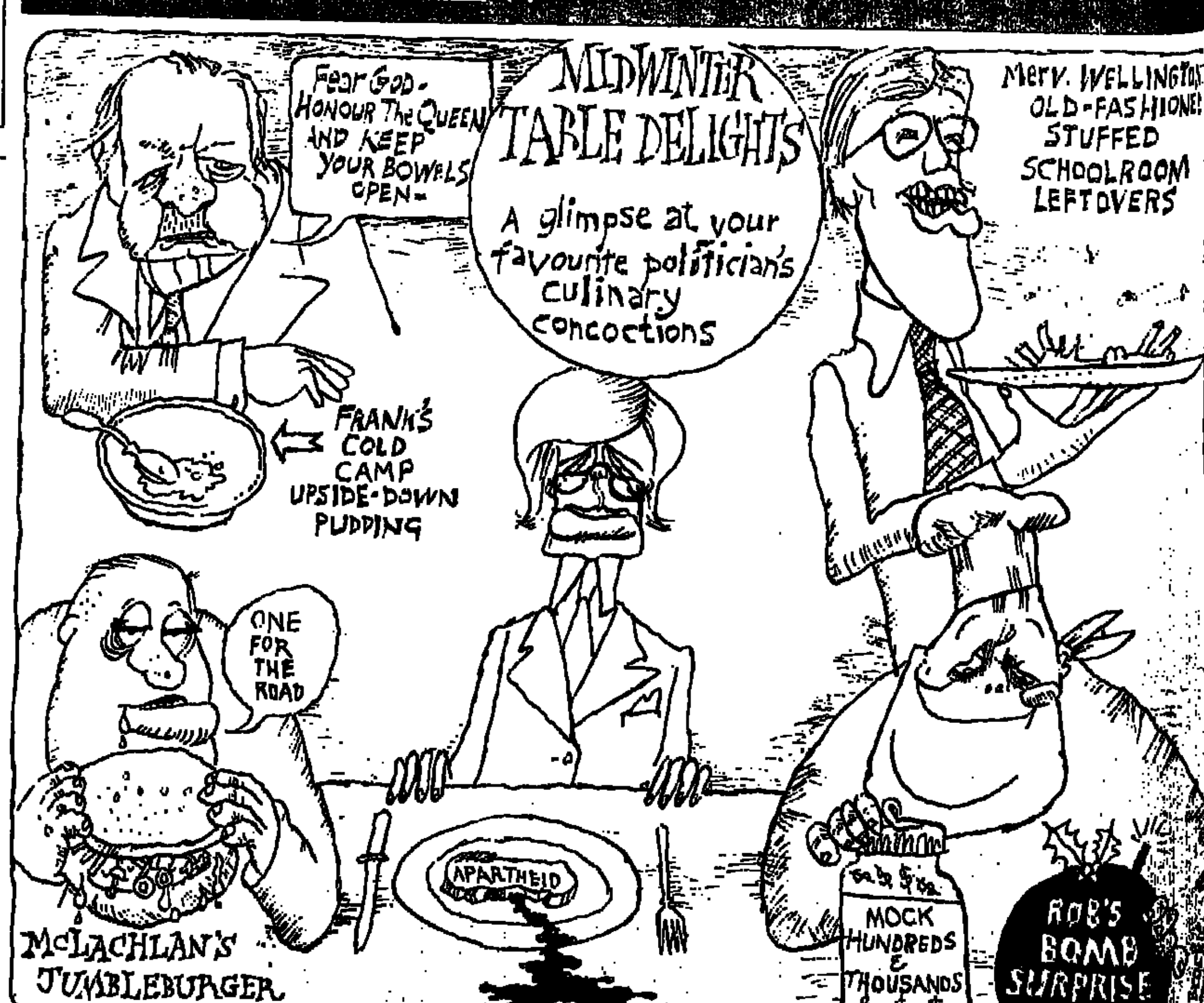
IF nothing else, the Accident Compensation Commission is playing a useful community role by helping to patch up bruised egoes and financial hardships of those who suffer political reversals.

First, the ACC provided succour for Hugh Watt, who was only just settling into his job as High Commissioner in London in 1975 when the voters tossed out the Labour Government and incoming Prime Minister Rob Muldoon became hellbent on tossing out a Labour appointee to put his own man into the post.

Now Watt is quitting his job as ACC commissioner, which means that Bert Walker, given the heave-ho from his seat (Christchurch) can move in.

But whether the new job will fully compensate Bert for the wallop to his pocket dealt by the general election result is a matter of opinion.

BROCKIE'S VIEW



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According to the Auckland Star, Walker has said his expenses will be so high that he "will be lucky to make anything at all" out of an estimated salary of more than $30,000 (which will form the bulk of his income of about $880 a week).

The salary is fixed by the Higher Salaries Commission, which maintains a discreet silence on just what it has decided.

But the Star did a few sums based on figures that were publicly known, and guessed that Bert would perhaps be given a salary of $34,800 — plus, of course, a $10,125 pension based on his 18 years' service as an MP; and national superannuation of a further $5851 a year . . . a grand total of more than $45,000.

But Bert says he won't be buying a house in Wellington; travel costs, accommodation costs and the taxman thus will leave him with only some $4000 a year from his commissioner's salary . . .

●

FREEZING workers are being called to the defence of the Christian flag to stop fanatic Islamic slaughtermen laying New Zealand to waste.

An unsigned and otherwise anonymous handbill is seeking fellow crusaders from amongst the ranks of freezing workers in the Auckland area.

"Brothers in the freezing industry — examine carefully any decision about Islamic slaughtermen in New Zealand," it reads.

"Islam is a dangerous and vindictive master."

"It is a manifestation of the spirit of the anti-christ. Can we afford to allow fanatics loose in our land? Wherever Islam has held sway it has turned the cultivated land into a desert. It has kept women in servitude.

"Corrupt New Zealand leaders of Islam will as likely as not be sought out for attention by fanatic Islamic slaughtermen."

On the reverse, clippings from the Auckland Herald point to the dangers. The first is from the public notices column announcing a prominent city Moslem's application for a liquor licence for his restaurant in the city. Another reports the vast quantities of champagne, wine and spirits from Tehran's top hotels, poured down the drain on the orders of the recently installed Islamic Revolutionary Council.

Could, we wonder, there be a wine quaffing, green fingered, women's libber with Christian virtues somewhere in the backblocks prepared to defend Godzone's integrity to the end?

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THE export incentives — promised by the National Party's election manifesto in the heady days of 1975 and finally announced four Budgets and a few days later — suggests boom times ahead for shareholders in freezing companies.

According to the Trade and Industry Department's explanatory document headed "Export Performance Taxation Incentive", value added beyond the farm gate or minehead qualifies for the incentive. And if you comprehend simple English as we are smug enough to think we do, that should mean that the incentives apply to freezing companies, for example, for the value they add to sheep, lambs and so on after they have been trucked out of the farmyard and before they are shipped off to customers abroad.

That would be a bold (and costly to the taxpayer) step forward . . . one which we would have thought the Prime Minister would have drawn more attention to on Budget night.

A check with Trade and Industry will establish that . . . yes, there is a vague suggestion the incentives apply to freezing works. But produce from freezing works continue to be excluded from such incentives.

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PERHAPS the managing director of the TNL group, Garth Butler, is a man of simple tastes; perhaps he was too busy looking after his guests at the Newmans' centenary luncheon to look after himself; or maybe he couldn't bear to touch anything for lunch after one of the guests of honour, Rob Muldoon, told him the Government still hadn't made up its mind about jetfoil.

Whatever the reason, within a couple of hours of the big blow-out at Nelson's Trafalgar Centre with oysters, scallops, turkey, suckling pig and other goodies, Garth Butler was seen placing his order at the counter of his local fish and chip shop.

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AGRICULTURE Minister Duncan MacIntyre, addressing the annual conference of the Royal Agricultural Society of New Zealand left them with food for thought.

The fetta cheese made from local sheep's milk by the Barry's Bay Dairy Company had been selling well at $5 a kilogram, he said. But much more research needed to be done before many of the commercial unknowns were overcome.

"At present France milks about 10 per cent of its sheep flock. If 10 per cent of New Zealand's 40 million ewes were milked and averaged 120 litres per ewe and fetta cheese sold for $2.75 a kilogram, then earnings from these sheep would be worth $300 million a year ..."

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IN the "So What?" department (or, "It's a Big Deal to Truth but No one Else Cares"), is corroboration, from a usually reliable source, that the Clerical Workers did indeed vote for Douglas as FOL secretary.

The Engineers Union, which holds one of the largest blocks of votes, is reported not to have voted at all.

Trust the PM's favourite weekly to break out the biggest non-secret in town.

●

HOJATOL Islam Mahadavi, one of the two high ranking Iranian religious leaders who visited New Zealand earlier this year, is returning to supervise halal slaughtering.

His appointment and the minor alterations in the works he is likely to demand, are the only changes needed before the lucrative Iranian market is opened to New Zealand meat exporters again.

Superficially little else will change. Meat exporters will carry on negotiating though their appointed agents who will deal with the Iranian Meat Organisation, but the Meat Producers Board, in consultation with the Meat Exporters Council, will have a watching brief over the trade which is expected to grow to 50,000 tonnes a year.

The Board has declared Iran an "underdeveloped market" allowing it to control prices and direct sales as necessary. In practice this is expected to make little difference other than to ensure New Zealand gets a fair price.

In the past the Iranians have cut frozen lamb prices while increasing the margin on live sheep imports. This has suited exporters in Australia, Eastern Europe and Turkey but has worked to New Zealand's disadvantage. The Meat Board will now be able to step in to stop sales being made at undesirable prices. It will also eliminate a number of middlemen in Iran claiming to have stocks of cheap New Zealand lamb to sell.

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An Iranian Meat Organisation delegation will be arriving next month to finalise details on an overall agreement specifying the standards it will expect the freezing companies to meet on halal slaughter and also who should pay for the inspection and certification of carcases by Mahadavi and his staff.

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WHO'S responsible for the 10,000 glossy new bumper stickers due to hit the capital this week?

So far our sources aren't saying, but we do know the message: "New Zealand is dying — Muldoon must go."

Not so elementary, dear Watson

IN our article last week on Securitibank and its legal aftermath, we referred to two accountants with the surname Watson.

Fred Watson is the chartered accountant whose name has been put forward as a possible liquidator to succeed the original Securitibank liquidator, Keith Crawshaw.

Michael Watson is the chartered accountant who is assisting Chas Sturt with investigations into the possibility of suing creditors and directors of Securitibank. He was employed by Kieth Crawshaw and is now employed by the official assignee, Ernie Gould, who is acting liquidator till a new appointment is made.

In our article last week, Gould is quoted as saying he would not be willing to have Sturt or Watson speak to creditors.

This reference was to Chas Sturt and Michael Watson.

Commercial factors becoming too dominant?

INCREASED Post Office charges ... cutbacks in rail and broadcasting services ... and a public held to ransom because these services are run by public monopolies.

Above all, these state enterprises seem preoccupied with their income and expenditure accounts. But what about their duty to the public? What about service?

If profit is to be the only measure of their success, why not put them into the hands of private enterprise?

These were among the questions considered by economics writer A Nove in his book "Efficiency Criteria for Nationalised Industries" (London, 1973).

Some of Nove's arguments — extracted and condensed from his book — are presented here because of their pertinence to the situation in New Zealand where increasingly, commercial considerations are being put before the public interest.

A MAJOR reason for government controlling certain key industries is the conviction that the post, transport, mines and television are operated more efficiently in something which could be called the public interest. Indeed, it is obviously in the public interest that they be operated efficiently.

Otherwise the resultant waste of resources deprives the community of additional goods or services or leisure which it otherwise would enjoy.

The problem is to identify efficient operation.

Unless the words "in the public interest" have some meaning, there is little point in public ownership of anything.

If a public authority operating transport services does not take into account the economic and social effects of its actions, but confines its attention to its own profit and loss account, what conceivable reason can there be for putting its operations under public ownership?

If the question were purely one of private profitability, then any individual or firm — Joe Bloggs or Bloggs Ltd — could produce the goods or perform the service, and there would be no problem and no economic case for public ownership.

Thus the meaning of "the public interest" obviously relates to possible conflict between private profitability and some apparently desirable act or omission.

If two individuals make a deal, any other individual affected by it is external to that transaction. If a factory pollutes a river, that is an external diseconomy.

If the factory itself owns fishing rights in the river, it is an internal diseconomy, for now it is an economic unit which could be defined as factory-and-fishing.

Such a unit "internalises" what would otherwise be the external effects of industrial waste on fish.

A shipping service to a holiday island, if its operators have no financial interests in the island's hotels, is financially indifferent as to the effects of its services on these hotels' profits. They are external to its operation (although the hotels' existence does contribute to demand for shipping services).

But the hotels may be owned by the shipping concern, or the hotels consortium may own and operate the ship.

In either event, there is a ship-and-hotel firm, and the externality will have been internalised.

People attracted to the hotels use the ships, and the hotels could not make money unless the ships took the customers to the island. In this situation, it would be hard to identify the profits attributable solely to ships or solely to hotels.

A principal argument for public operation and control of any sector of the economy is that it permits the internalisation of externalities.

Indeed, this is what "taking the public interest into account" means.

Thus a public transport group's raison d'etre should be that it can take broader social and economic interests into account, whereas separate private bus and shipping companies cannot.

The doctrine of "commercial operation", on the other hand, begs questions:

- The negative consequences of an excessively fragmentated view of profitability;
- Goods and services which do not pay on any economically reasonable definition of "pay" but which should be provided on social grounds. This raises the question of subsidisation.
- How far a monopoly should be compelled, as a condition for its existence, to undertake activities which, given its monopoly position, would not pay.

A public monopoly, if told to operate "commercially", will tend to behave in exactly the same way as a private monopoly.

Indeed, it can be argued that it would be worse. A private monopoly is generally supervised by some sort of regulating body, to prevent abuse of its position. In some instances, there are imposed statutory duties.

A public "commercial" monopoly is subjected to few constraints. It is told to make money, and the Government deliberately refrains from interfering with its day-to-day operations.

Thus it must be expected to behave as a private unsupervised monopolist would, if in addition he was protected by law from competition.

Suppose that razor blades are a public monopoly and the operational criterion is the volume of profit, perhaps modified by some sort of output or turnover target.

What possible interest can the nationalised razor blade firm have in making its blades sharp?

Indeed, profit and turnover alike might benefit from blades which have to be thrown away after three shaves.

Under competition, it pays to be sharper than the other manufacturers.

Under a public monopoly, blades will not be sharp unless there is either a moral or imposed duty, because without competition the extra cost of making them sharp becomes "avoidable".

"Duty" or "purpose" are words almost unknown to micro-economics. But without them, state industries cannot sensibly operate, nor can their function be adequately defined.

A bus makes more money if passengers are crowded than if there are empty seats, and a shop operates more "economically" (more turnover per employee, less cost as a percentage of turnover) if customers stand in line.

A queue always pays the supplier of any goods or service, unless the customer can go elsewhere.

Good service of any kind incurs a cost, and the corresponding gain is goodwill. The word goodwill also is unknown to micro-economic theory, because it is inconsistent with marginalist fragmentation. It asserts that what is done in one transaction affects other transactions, providing a good reason for not regarding each in isolation.

Poor service can take many forms, from failure to provide goods or services when people want them to mere indifference and rudeness.

To be able to provide things when needed, one must carry stocks, have reserve capacity.

Stocks and reserve capacity involve costs.

In theory, competition compels good service. Nationalised monopoly is not compelled to provide it, unless it takes pride in the efficient fulfilment of its task (moral incentive), or its operational criteria are defined to encourage the carrying out of the purpose for which the public enterprise has been established.

Competition for the British Post Office is virtually non-existent. The external effects, on people and on business, are obvious.

Why is the Post Office a government department in virtually every country of the world?

Why was it made a government department in Britain at the height of laissez-aire?

The answers should be self-evident: acts which benefit the net revenue of the post office frequently conflict with other important interests.

Thus the rate charged for printed matter affects business and exports. Both business and politics benefit even from the circulation of a country's press abroad.

It is possible that extra costs imposed on business by Post Office charges exceed the extra new revenue which it yields to the Post Office by a wide margin.

In these and other instances, it is (or used to be) the job of the ministry to weigh the gains and losses and decide accordingly.

In other words, the Post Office as a government department was able to make a cost-benefit analysis, under conditions in which costs and benefits frequently fail to find reflection in the Post Office's own accounts.

The whole point of cost-benefit analysis is that one tries to value those costs and benefits which do not enter into the profit-and-loss account.

In November 1971, the British Post Office announced a plan to reduce the quantity and quality of its services, to raise its charges and to reduce its staff.

Increased charges are inevitable in view of the inflationary rise in costs, but it would seem to be no one's job to contrast the savings to the post office with the loss imposed on the community through a worsening of its services.

The commercial rules imposed by a bemused Labour government removed such considerations from the Post Office's own operating rules.

The terms of reference of British Rail's management are exclusively commercial.

There is no duty to run any service, except that the closure of passenger lines requires the consent of the minister.

Management is given carte-blanche to charge whatever the market can bear.

It is not for British Rail to consider the effects of its decisions on manufacturing industry, on regional policy, on tourism.

So why have nationalised railways, if their terms of reference are so inward-looking?

The measure of their efficiency is dissociated from the very purpose of their existence. Or rather, it is assumed that the railways' accounts will reflect the degree to which they are carrying out its purpose.

At the time of the Beeching report (1963), there was no doubt that railway mileage was excessive, and some pruning had to be done. Some lines were little used, with trains carrying a handful of passengers.

A connecting bus would have done as well, at lower costs.

But the railway management in recent years saw no point in ensuring that any connection in fact existed. It was the Ministry of Transport which insisted on there being buses.

It is as if the accountant calculated that only main line traffic paid, oblivious of the fact that the ultimate destination of passengers or goods may be off the main line, and that it is of interest to the railways that they complete their journey.

Indeed, one of the most difficult problems of accounting is to assign revenues to a section of a system, precisely because a system abounds in interdependencies.

The point is that the separate profitability of a part of a system cannot be measured save in the contest of the whole.

A firm is, in one of its aspects, a system of activities. The manager who wants every part of his system to pay may end up with an overall deficit.

Something like this has been achieved by British Rail with goods traffic. No longer bound by common carrier obligations, it has acquired a reputation for picking and choosing.

Anxious to minimise the number of unused wagons, it has cut back spare capacity, so that urgent loads to catch ships at ports may not get there in time. The word gets round. Lorries are bought, and are then used at times when the railways would be glad to have the business.

Yet the management can achieve this result by strict adherence to what seem to be textbook criteria. If investment in extra wagons used only at peak periods does not bring in a return, then it would appear not to be economically sound to provide them.

Consider an urban public transport system. If one has (say) 20 bus routes in a town and passengers change from one bus to the other, the identification of revenues applicable to one route also presents insuperable difficulties. In fact, one tends to have system revenue rather than identifiable route revenue.

The same is true of networks the world over.

There are problems of complementarity and indivisibilities, not only of vehicles but also passengers' journeys. Some of the passengers who travel outwards at "profitable" times may wish to return to their homes late (or may be uncertain as to whether they might to do so), and would use a car or a bicycle unless there were means of getting home at what might appear to be an "unprofitable" time.

So what is the point of having a municipal (or any other) transport monopoly other than for the provision of a system of transport?

Increasingly, the logic is to disassemble the system, operate only the profitable parts, and to suspend a route or service unless specifically subsidised.

What, then, is left of the system? Why not make every bus a separate limited company, run for its own profit?

The point is that the organisation providing the transport for an area must do its job, or else resign the task to someone else, or free it to all comers.

This is no case for confiding the task to a public monopoly, banishing others from competing, and then asking it to operate on so-called commercial criteria. That makes the worst of all possible worlds.

Soaring state prices signpost inefficiencies

THE increased postal and communication charges follow substantial increases in the price of electricity, coal and railways services — plus petrol prices.

In February, the Government announced a rise in the bulk electricity tariff of 80 per cent from May 1979.

Supply authorities were obliged to raise their retail prices around 45 per cent on average to cover the increase.

Government income is expected to increase as a result by some $172 million to $535 million.

The move was made to offset the interest bill which had risen from $33.3 million 10 years ago to a projected $173 million.

In April, Cabinet approved an increase of 16 per cent on average in the price of coal from State Mines — also effective from May 1.

Next on the list came railways charges, hitting suburban commuters for an extra 20 per cent on road and rail services from May 13.

It's likely a further increase will be announced within six months.

Other increases in railways charges of 10 per cent were deemed necessary to help cover large cost increases.

The department expected to net an extra $28 million from the increases. (Charges had been raised by an average of 12.5 per cent only last July).

On the heels of those increases come the Post Office charge increases.

Postal rate increases — ranging from 40 to 80 per cent (postage costs for newspapers goes up from 5 cents to 9 cents); apply from August 1; Telecommunication charges (increases of between 10 and 66 2/3 per cent) apply from October 1.

by Rae Mazengarb

BIG increases in Post Office charges announced in the Budget are further signs of the Government's failure to hold costs in the service areas.

The private sector is being asked to tighten belts and hold costs by absorbing them and looking for efficiencies.

But the Government has foisted costs on to the consumer in essential public services over the last few months.

The increases have filtered through sporadically.

The Budget announced there would be increases in Post Office charges. The details followed a few days later.

Many companies say they will have no option but to pass on the increases through their own charges, where that is possible.

Others say they will be forced to absorb them — specially where their products compete on international markets.

But the general feeling is that price rises will occur across the board because of the Government move, and a higher inflation level will result.

The possibility of large-scale consumer resistance to increased charges is already worrying businessmen.

Consumers have yet to face power bills which reflect the full increase in electricity charges.

Increased postal and telecommunication charges and their flow-on effect will add to the burden on the ordinary bloke.

Critics insist it is time the Government positively declared whether the Post Office should be run along business lines — a true user-pays system — or as a social service.

If it is to be run as a business, it must be appreciated that there are areas which can never be economic — such as rural deliveries.

It is a fallacy to even talk about user-pays now, because many areas of operation are being subsidised by consumers of other services.

The increased Post Office charges are expected to yield an extra $46 million this year.

Last year's annual report has yet to be tabled in Parliament (it is still being processed). But it appears likely that a $50 million profit was made last year.

So why the increases?

Postmaster-General Ben Couch said they were necessary to maintain the Post Office's profitability in the face of rising costs.

"The Post Office was restored to profitable operation in the first year after we took office and, in keeping with this policy, the Government firmly believes the Post Office should continue to run on broadly user-pays principles.

"Thus, increased charges are necessary if it is to remain a viable undertaking, paying its way and contributing to its capital development programme from its own resources," Couch said in his Budget press statement.

Asked if the Post Office was contemplating new major capital works such as viewdata, Couch said: "The Post Office has large capital works programmes each year. These invariably include major projects as well as small ones, but no present proposals for the adoption of viewdata systems."

Asked what was the expected increase in the wage bill, a press officer said the question was hypothetical. At this stage it would be foolish to quantify, he said.

But Couch has said that for every 1 per cent salary rise granted, an extra $3 million is added to the wage bill.

If the Post Office staff was given a rise of 10 per cent — which is probable — that means an increase in wages of $30 million.

The business community has yet to appreciate the total effect of the increased charges because they don't come into force for several weeks. But the overall feeling seems to be that the effects will be serious.

For those in the mail order business, postage already takes a large slice out of their budget.

Admail McQuarries Limited, of Wellington, spends around $250,000 a year with the Post Office on postage on behalf of 800 clients in New Zealand, Australia and Singapore.

Manager director Kevin Morris said the 40 per cent increase in postage could not be justified in view of the profits the Post Office has been making. "Twenty per cent would have been far more acceptable," he said.

Morris complained there was not enough leeway between the announcement and the time of the actual hikes.

"Many of our international clients have worked their budgets a long way in advance," he said.

This meant that many would run over budget because Admail McQuarries would have to pass the increases on to their clients.

A spokesman for a big stock and station agent said his colleagues were furious over the hefty increases, but the costs would have to be absorbed where possible.

The company was considering extending the use of courier services to cut down on postage.

But the overdue section would become costly, he said.

Thus the company might revert to putting a clerk on the phones, working full-time ringing to remind people to pay their bills.

James Galloway, general manager of finance and administration for Odlins, said there was "no show whatsoever of passing" the increased costs on.

It will be just another cost which Odlins will have to absorb.

At least the company would be able to claim deductions for overseas calls relating to export materials.

But to remain competitive — specially on the international market — the company could not increase prices to cover the increased costs.

A spokesman for ICI said management would be looking very seriously at the new charges.

ICI would try to absorb some of the costs, but there were limits.

The postage bill runs at about $1500 a month and the telex bill is substantial.

Primarily, staff would be asked to consider ways of cutting down costs — perhaps less postage and more use of couriers.

The general manager of the MED in Wellington, J H Vernon, said that "ultimately the consumer must bear the increases.

"In the long-run we can never absorb any cost at all," he said.

"Neither can we recover immediately from the consumer, since our tariffs have already been set for the next 12 months."

So the increased charges will be recovered next year when the electricity supply authorities go for their next tariff increase.

Vernon estimated the increases would cost the MED an extra $70,000 each year in postage.

Perhaps there will be a growing tendency to reduce the number of warnings sent out for late payment of bills, he suggested.

"We haven't discussed this, but we may be forced to do this ultimately."

Wellington mayor Michael Fowler said the increased charges would cost the city council some $40,000 each year.

This year's estimates have already been finalised and did not allow for extra expenditure in this area, so there will be a shortfall of $20,000 this year.

"We'll have to cope with it next year," he said.

He said the council would tighten belts in efforts to save costs but hastened to add, it wouldn't mean the council would be sending out fewer rate demands.

General secretary of the Post Office Association Ivan Reddish said the question of Post Office charges should be closely examined.

No Government had come out positively on the question of whether the Post Office should be run as a business or a social service, he said.

"Obviously the Government has abandoned any ideas of trying to curb inflation," said Reddish, pointing out that the business community will eventually pass on these increased costs — along with the increases they have already faced.

Reddish complained that Government should not be allowed to get away with statements that the New Zealand Post Office service was one of the cheapest in the world. "We have to look further than the cost in dollar terms," he said. A comparison of wage rates, and prices in other areas, would give a better indication.

Taxpayers boost incomes of tourism giants

BUDGET incentives for tourism have been widely welcomed in the industry as a whole, but the principal beneficiaries will be the larger integrated tourist operations.

The major move for tourism in the Budget was the Government's decision to extend the new export incentives to the tourist industry. Although the industry largely earns its money by bringing visitors to New Zealand rather than exporting goods and services to other countries, new thinking among operators has stressed the export orientation of the industry.

Tourism will now be eligible for the most important incentive — the export performance incentive — at the rate of 10 per cent for net foreign exchange remittance sold overseas and paid for in foreign currency prior to the visitor coming to New Zealand.

That means that any tourist operator within New Zealand earning foreign exchange from tourists passing though his shop or game park, buying a meal in his restaurant, or travelling in his coach or rental car will get no benefit from the incentive unless his service was part of a pre-purchased overseas package.

Clearly, the incentive which gives either a tax credit of 10 per cent or the equivalent cash grant, will be of little use to the small scale operator not hooked almost exclusively into a major tourist operation.

Tourism Minister Warren Cooper says the scheme is designed to provide benefits back down through the chain from the programme seller to the actual provider of the services and thus help keep the tourist operation competitive internationally.

"It is expected that the benefits provided by the incentive will flow on to those who provide tourist services in the same way as has been the case with the incentive for the export of manufactured goods," Cooper said.

While the travel agent selling a package tour overseas will receive the rebate-credit in the first instance, "it is a basic concept of the incentive that, although available in the first instance to the final seller, market forces will ensure that there is a flow on from the seller to those who actually provide the service.

'Marketing arrangements and the negotiation of hotel tariffs and rates for other services are therefore expected to reflect the availability of the tax rebate to the agent and thus ensure the benefit flows on and is shared throughout the industry," he said.

The Government's willingness to rely on market mechanisms looks comforting in principle, but there does seem endless scope for arguing within the industry how the benefit is to be shared out among agent, tour wholesaler, ground operator, hotel owner and the providers of sightseeing and related services.

The more of those functions which can be brought under one corporate roof will being a bigger benefit and a more smooth operation to that company, as well as allowing for discounting some particular parts of the operation where competition is particularly strong, knowing that it can be made up in less competitive areas.

Singapore operates on such a principle with cost cutting in one area made up for elsewhere.

As such the incentive will clearly favour the larger integrated tourist firms at the expense of single function operators of services.

Tourist and Publicity Department general manager Mike Roberts, who is seen in the industry as the major architect of the scheme as it applies to tourism, says the scheme will cost the Government $7-8 million a year.

As yet another export subsidy, the scheme also represents a net transfer of wealth from the taxpayer to larger firms in the industry. It leaves out of its coverage, small companies who depend on the big boys to bring the business into their areas — souvenir shops and the like.

According to Cooper, the incentive will bring "improved profitability, more attractive investment prospects, increased promotion and marketing overseas, while keeping New Zealand tour costs competitive with other destinations."

The incentive scheme for market development has also been revised and a new scheme providing grants for new market initiatives has also been introduced.

The much hated travel tax has also been abolished and replaced by a $25 departure tax. This also has the effect of ridding the industry of a burden and putting it onto the New Zealand traveller, and at no cost to the Government.

Increased depreciation allowances for rental vehicles and sales tax adjustments for motor coaches did not make it into the Budget statement, nor did more mundane matters like new training schemes for staff.

But the most obvious gap is still in the accommodation area. There was nothing in the Budget which the industry can see as helping to build one more hotel room.

While the incentives will improve the profitability rate for hotels — provided the benefits do filter back through the chain — more specific measures like tax holidays, better depreciation allowances, regional incentives among other suggestions still wait for the nod of Government approval.

Tourist firms drift on without united lobby

THE tourist industry still has to come to grips with one of its major problems — getting an organised and coherent voice to speak for it to the public and the Government.

And if the recent conference of the National Travel Association is anything to go by, it will be a while yet before the various facets or factions in the industry are prepared to accept one organisation as their representative.

The NTA conducted a "you say-we say" session designed to allow the smaller members of the association to speak out and provide feedback on where the association and industry should be going.

NTA is a curious organisation in that, apart from being the officially recognised advisor to the Government on tourism matters, it tries to weld all different tourist interests together.

The association's ability to act depends on the reaching of virtual unanimity among the diverse interests represented in its ranks, and the very process of consultation slows the association's activity rate.

Its effectiveness and ability to act quickly and decisively is also impaired when different groups' interests may be at odds.

Consequently many groups have their own trade associations which, like the airlines, act independently and take their problems direct to the Government or department concerned.

Alternatively, help is not asked for where it might be given because there is not enough consultation among the different groups.

Basically the problem is that there is no effective forum which the industry groups are prepared to use to sort out their internal problems.

Several years ago the NTA set up a body over and above its own executive. Called the policy committee, it brought together the top executives of all the major tourist sectors in an attempt to overcome this lack of co-ordination. However, if the repeated claims of lack of liaison and communication raised at the conference are anything to judge by, the move has not been a success.

One reason suggested for this was the unwillingness of groups, particularly the airlines, to share their problems and attitudes, and their preference to deal direct with the appropriate authority.

The policy group also lacks a full-time paid secretariat to produce research and background papers.

The Government-appointed Tourism Advisory Council is another candidate for the right to speak for the industry.

Apart from producing the landmark planning report in 1978 however, the council has not been to the forefront and the chairman, lawyer Bob Baird, does not seem inclined to lead the way in public.

Three of the present 12 members are public servants ex-officio and apart from the possible exceptions of Doug Patterson from Air New Zealand and Sir Henry Wigley from the Mount Cook Group, none of the rest is actively involved in the day to day business of running tourist operations.

Even the preparation and groundwork for the 1978 report of the council was largely done through sub-committees.

Here, the industry secured sufficient representation of operators to get all their major concerns endorsed, first in the reports of the five working parties, then by a full scale conference for eventual incorporation into the council's final report to the Government.

A takeover of the council by getting more operators appointed has been suggested occasionally but time and the political difficulties involved have put constraints on this course.

The only other alternative suggested came from the now past President of the NTA, Tim Hurley (NBR May 17, 1978).

Hurley suggested a retailers manufacturers federation type structure where each group had a separate council acting semi-autonomously, but serviced by a common pool of executive talent within one umbrella organisation.

Each of the industry's components would then be represented on an overall national council. This would be dominated by the private sector and would then be able to act as the authentic voice of the private sector.

Internal disagreements could be thrashed out within the federation framework which would provide a mechanism lacking at the moment for the settlement of differences and the production of a common approach.

That too has fallen on deaf ears within the industry, for probably two reasons.

First, some transfer of power would be necessary, and secondly there is no clear suggestion of how such a federation should be funded.

The consequence of this lack of co-ordination is that the industry is unusually vulnerable to being outmanoeuvered by better briefed Government officials, because the depth of professional expertise at representation is dispersed and not fully co-ordinated.

Banking moves stir up competitive elements

by Peter V O'Brien

THREE developments in the banking world last week suggest that the trading banks are moving into an increasingly competitive environment which may influence other financial institutions.

The Bank of New Zealand will act as agent for the BNZ Finance Co Ltd in the field of hire purchase transactions, according to a statement by chairman George Chapman (of National Party fame) at the annual meeting.

The bank's 231 branches will move hire purchase deals to its 40 per cent owned finance subsidiary. Chapman called this an "important development". It impresses as one which will have an effect on other finance companies.

BNZ Finance has been a low key operation for many years, but has been changing.

First was the acquisition of the other Bank of New Zealand 40 per cent owned company, First New Zealand International Ltd, a move which I criticised at the time on the grounds of the price paid relative to the performance of the merchant bank. The combination of the two companies obviously brought benefits to the enlarged group, which are showing up in profitability.

The decision to use the bank's branch network has advantages for BNZ Finance. An integrated finance service operation with the bank allows business to flow to the finance company, without the overheads which other finance companies incur in a national branch system.

The Bank of New Zealand currently controls about 40 per cent of the country's banking business, and therefore the finance company has access to a potentially large number of hire purchase clients, at comparatively low cost, depending on the terms of the agency agreement with the bank.

Most finance companies have a well developed agency system throughout New Zealand, using chartered accountants in the smaller towns, but none is able to muster 231 outlets.

The trading banks are all involved in finance companies (National-General Finance; CBA-Marac; ANZ-UDC; NSW-Australian Guarantee Corporation), but until now their activities have been confined mainly to carrying prospectuses and other advertising material for their subsidiaries or associates.

It will be interesting to see how the banks and finance companies respond to the moves of the BNZ group, and whether they will adopt similar practices.

There are some difficulties. Apart from the ANZ, none of the other banks have shareholdings in finance companies approaching the BNZ's 40 per cent of BNZ Finance (UDC is a subsidiary of the ANZ). Consequently, it remains to be seen whether the banks will find the return sufficiently attractive in relation to their shareholdings if they push finance company business.

Secondly, the finance industry expects the banks to develop personal lending at a faster rate in future. This would probably occur at the expense of the finance companies, which would be in a tight competitive position.

Third, the mix of business in finance companies' differs. Some companies are heavily involved in industrial and commercial lending. The use of a bank branch network would be less appropriate in those cases than the development of hire purchase.

Fourth, there is the problem of finding money for this type of business. If the Bank of New Zealand suddenly produces a mass of hire purchase through 231 branches, where will BNZ Finance find the funds to cover the deals in present tight money conditions?

The problem would be aggravated if, as expected, public sector ratios are raised on financial institutions later in the year. It is understood that finance company credit growth in April and May was above the 1 per cent a month maximum guideline announced earlier in the year. A similar trend in June will see action, following the warning given by Finance Minister Muldoon when reserve asset ratios were increased for July in the trading banks. The authorities are not going to sit around waiting for voluntary action if the first quarter of the financial year is well above the guideline.

The National Bank's introduction of Visacard last week follows the Bank of New Zealand's entry into the card business. Other banks are expected to set up their own systems.

Cards are seen as another step in a concerted drive by the banks for personal lending business, beyond the level reached so far. The Commerce Commission's report on cards will be available later in the year, and could upset card business.

Assuming the commission's report is either favourable or neutral, the finance industry will see considerable change in the next few years, provided controls on credit are not tightened again.

The ANZ Banking Group's decision to offer shares in the local bank to the New Zealand public was the third development last week.

Behind the "appropriateness" mentioned in the press statement, can be seen the growing view that the New Zealand financial system should be localised.

As far as possible the eventual proportion of shares to be owned in New Zealand is unknown, but there are intangible benefits in having local ownership in a trading bank, both political, and in terms of publicity. The latter even covers the continual reference to the institution in the daily dealings of the Stock Exchange.

The three developments last week may be the start of a "changing face" of banking. They are a direct result of the greater freedom given to the banks in 1976.

Analysing annual accounts

by Peter V O'Brien

STEEL and Tube Holdings Ltd, the widely diversified manufacturer, contractor and merchandiser, had problems in its electrical and plumbing business last year. Analysis of the annual report shows that most subsidiaries has sales' increases above the 10 per cent recorded for the total group.

The sales of A & T Burt Ltd, and that company's subsidiaries, apparently dragged the total group down to a 10 per cent increase.

The directors say that the "original" subsidiary (before substantial acquisition activity), Steel and Tube NZ group, increased sales 12 per cent in monetary terms. CSI Engineering group enjoyed a 25 per cent lift, Robt Stone & Co Ltd (mechanical engineers and contractors) jumped 42 per cent, Pearson Knowles and Rylands Bros NZ Ltd (wire users) gained 34 per cent, and Bundy Tubing (New Zealand) Ltd (refrigeration and automotive tubing manufacturers) went up 39 per cent on the preceding year.

But they are reticent about disclosing the sales position of A and T Burt Ltd, saying it "continued to feel the effects of the lack of demand in the building industry. Sales did not quite reach those of the previous year, with margins in most divisions being under pressure and profits suffering accordingly.

"Whilst the actual production of electric motors by A and T Burt Electrics Ltd (75 per cent owned) has been successful, lack of volume due to a market downturn prevented the full recovery of overheads resulting in a loss for the year," they said.

Total group sales went from $106 million in 1978 to $116.5 million, an increase of about 10 per cent, so it is clear (apart from the absence of divisional sales figures) that A and T Burt eroded the gains in other subsidiaries. Even those "gains" have to be adjusted for an inflation factor.

The profit and loss account adopts the growing practice of including profits from the sale of assets in pre-tax profits, that is, "above the line". While the practice may be in order for companies which are regularly involved in asset disposal, particularly properties where they could be considered "traders", the procedure seems inappropriate for Steel and Tube Holdings Ltd for two reasons.

First the company is engaged in manufacturing, contracting and merchandising. While figures for profit on sale of assets give no indication of the type of assets sold, a company with sales of $116 million, and "capital" profit from asset realisation of $91,000 ($386,000 in 1978) is hardly in the business of "asset trading". The treatment might be valid for a group such as Brierley Investments, but appears out of place in manufacturing concerns.

The second factor is the wide fluctuation in these profits from year to year. Until 1975 such profits were treated as "extraordinary items", and in 1974 and 1975 arose from the sale of shares.

In 1976, Steel and Tube received $20,388 from this source, rising to $297,825 in 1977, to $386,000 in 1978 and dropping to $91,000 in the latest year.

If the procedure is accepted as "above the line", the net profit after allowance for minorities and retained earnings in associate companies, was $5,266,000, compared with $4,774,000 in the previous year. The group is still below the $5,936,000 earned in 1977. The earning rate on shareholders funds was 12.2 per cent, as against 11.9 per cent in the previous year, and 17 per cent in 1977. In 1976 the return was 12.2 per cent following 12.5 per cent in 1975.

The figures show that the acquisition programme has done little to improve the earning rate, although changing economic conditions have probably affected the return. It might be worse without the new subsidiaries, but the A and T Burt group has received muted treatment in the report since 1977. The present state of the economy suggests that this subsidiary will continue to operate in a difficult trading climate.

The balance sheet is reasonably straightforward, when read in conjunction with the directors' explanation of changes to debt maturity, movements in stocks and debtors, and refinancing offshore loans in New Zealand.

But there is a significant entry in the notes. Steel and Tube Holdings reorganised itself in 1977 in a manner which gave rise to "capital profits" in a new holding company. A note to the 1978 accounts reads:

"The company was previously named The Steel and Tube Company of New Zealand Ltd, but this was changed to Steel and Tube Holdings Ltd by special resolution of shareholders on August 18, 1977. From October 1, 1977 the steel merchandising activities of the company were transferred to a subsidiary, Stewarts and Lloyds of New Zealand Ltd, which has been renamed Steel and Tube New Zealand Ltd. The trading assets of the steel merchandising division were transferred at book values and the properties at market value" (NBR emphasis).

This year a comment attached to movements in capital reserve says:

"Of the balance of $3,587,000 in the reserve prior to the provision for the final dividend, $3,102,000 is, in the opinion of the directors, available for distribution free of tax in terms of section 4 (5) of the Income Tax Act, 1976

However, the status of the $3,041,000 arising from the sale of properties resulting from the change of corporate structure reported last year is still under discussion with the Inland Revenue Department" (NBR emphasis).

Since the company has been distributing that reserve as tax free dividends there could be interesting developments from the "discussions" with the department.

Exchange rates

As at July 5, 1979, $1NZ is worth:

Australia	.9027
Britain	.4540
Canada	1.1761
Fiji	.8301
Japan	218.06
West Germany	1.8447
USA	1.0111
Austria	13.55
Belgium	29.57
China	1.5311
Denmark	5.3104
France	4.2896
Greece	36.64
Hong Kong	5.1250
India	7.8649
Italy	828.99
Malaysia	2.1824
Netherlands	2.0353
New Caledonia & Tahiti	78.00
Norway	5.0899
Pakistan	9.8500
Papua-New Guinea	on application
Portugal	48.90
Singapore	2.1813
South Africa	.8528
Spain	66.72
Sri Lanka	on application
Sweden	4.2614
Switzerland	1.6598
Western Samoa	.8853

Key indicators

		Current Period	Previous Year	Per Cent Change
Consumers Price Index — all groups base Dec 1977 equal 1000	March 79	1120	1020	+ 10.00
Building Permits Issued	Feb 1979	$94.7m	$67.7 m	+ 39.00
	Feb '79 yr	$1120.1 m	$1108.7 m	+ 1.00
Official Overseas Reserves	April 79	$848.1 m	$1013.2 m	− 19.00
Registered Unemployed — incl those on special work schemes	June 79	50,084	42,310	+ 18.00
NZUC Share Price Index	July 5, 1979	333.21	330.70	+ 1.00
Reserve Bank Share Price Index	July 4, 1979	1408	1381	+ 2.00

Anomalies show up in export-import schemes

by Peter V O'Brien

ANOMALIES are showing up in the new system of export incentives and import licensing announced in the Budget.

The export incentive scheme is based on domestic added value, not domestic content. The distinction was made in NBR of July 4, when we set out a list of the more important export items in their particular incentive "bands".

The export incentive scheme puts no pressure on exporters to source their components in New Zealand. Provided they are exporting a "qualifying" item from the "dictionary" of goods published recently, they will receive an incentive related to the particular product's domestic added value.

Statements on the modifications to import licensing were issued after the Budget presentation, but so far they are only vague comments on the Government's proposals.

Trade and Industry Minister Lance Adams-Schneider put out a series of statements about import licensing. Particular extracts from those statements are of interest to manufacturers and importers. Referring to export assistance, Adams-Schneider says:

"Under the previous licensing provisions, import licences were granted for raw materials and components used in export production where these were not made in New Zealand. Finished products made in New Zealand and packaging materials were also excluded.

"This limitation was relaxed in practice where the particular export opportunities justified a departure. It has become apparent, however, that there are instances where New Zealand components and materials do not match the price, quality or technological content of an overseas product, and where exporting manufacturers must have access to imported products if they are to succeed in penetrating overseas markets.

"Henceforth, therefore, import licences will be granted for raw materials and components used in export production where it can be shown either that they are not available in New Zealand, or that compared with overseas equivalents the price, quality or technology of the domestic product is such that exports could be jeopardised.

"The principal objective of this modification is to improve the competitiveness and hence the volume of our exports. It should thus also act as a spur to domestic suppliers to improve their products and take advantage of larger orders from manufacturing exporters," he said.

"The policy of giving special consideration for import licences for capital goods required for export production will continue."

Adams-Schneider then referred to "rationalisation of production". "... licenses will be granted to a manufacturer to import the shorter runs of his production range where this will lead to more resources becoming available for export production. This modification is intended not only to increase export performance, but also to promote the benefits derived from longer runs, more specialisation, better stock handling, and improved management control of the business."

Under this system the onus to contain imports is placed on the local producer of components, not on the manufacturer using the components. The local producer is to improve his performance, otherwise the exporter can import the components. In this context, the procedures for import licensing and the export incentive scheme have to be considered in total, rather than separate issues.

There is no "incentive", using that word in a different context from "export incentives") for an exporter to source his components within New Zealand.

The minister's statements also create confusion on what happens when the local component supplier can match the imported product in terms of "price, quality or technological content".

How does that affect the export incentive scheme? The manufacturing exporter qualifies for an incentive, but what happens to his supplier? The latter's product is included in the final export, but at present it seems that the incentive applies only to the firm which sells the final product. (The idea that "self-assessment" could place a product in a lower band than the current classification assumes an unlikely altruistic spirit on the part of an exporter).

This problem appears to have particular relevance to the textile industry and to suppliers of forestry products. The export incentive scheme places most fabrics in band "C", but gives a mainly "B" rating to articles of apparel and clothing.

If the fabric manufacturer sells his product to a clothing manufacturer, who then exports the final articles, it seems that the latter gets an incentive based on a "B" rating (10.5 per cent), while the fabric manufacturer may forgo a "C" incentive of 9.1 per cent. But the clothing manufacturer will also obtain a "B" band whether he uses locally produced or imported fabric.

In either case the clothier wins, while the fabric company (assuming the latter is not also producing the clothes) is at a disadvantage, and is merely exhorted to improve his "quality .price or technological content" to overcome competition from the imported article.

A similar situation, from a different viewpoint, could apply to wood. If an exporter were to manufacture articles requiring hardwoods, local supply might be difficult to obtain, with the result that he imports his product. This could also apply to the use of special types of paper. The majority of wooden articles have a "B" band for incentive, while unfinished wood is classified on lower bands. Paper is mainly "B", but printed matter using paper is usually within band "A".

The result is that an exporter could import paper, export the final printed product and obtain an 11.9 per cent incentive. If the exporter is sending newspapers out of the country, for example, his product is "A", while the newsprint supplier ranks as "B", and may forgo the incentive through supplying goods to the exporter. Any scheme is bound to have flaws and the new ideas may need more modification before they settle down to a comprehensive and fair scheme for all firms, whether suppliers of components to the exporter, or exporters of the finished goods.

List takes on lopsided appearance

by Peter V O'Brien

THE New Zealand share list is taking on a lopsided appearance. A combination of varying company results and market expectations has produced substantial variations in dividend yields among listed companies.

Some of the reasons are obvious. The market has concentrated on exporters for months, and has maintained that interest since the Budget, despite an overall decline in share prices in the last two weeks.

The exporters are reporting good profit figures for the year ended in March, and most have given shareholders an additional share of the earnings.

The unfavourable reaction to modest performance, and to companies which are seen to be "local" operators, is equally obvious.

Investors who have (a) a punting nature (b) patience and (c) the idea that some companies will either recover or change direction, might find opportunities among the high yielding stocks. Last week several companies, including large groups, were yielding over, or just below, 10 per cent on their current dividend payments. It should be noted that some are cum dividend, while they prepare for annual meetings.

Alliance was at 10.8 per cent yield from last year's 14 per cent dividend which was covered three times. The yield is hardly surprising for a textile company which had a profit decline of 7.8 per cent in the six months to January 31. But the dividend is substantially tax free (as opposed to the tax liability on fixed term securities), and the group has a reasonable export trade which provides tax credits.

Cable Price Downer Ltd had a yield of 11.4 per cent last week, cum dividend. The payment was raised to 16 per cent this year (14 per cent in 1978) and is covered 2.7 times. CPD is considered a "local" company, with problems arising from the present state of the construction and civil engineering industries, a relatively high level of offshore money, and only a small level of exports.

But export trade is growing, and the group stands to gain from the decision to allow export incentives for contractors and service groups carrying out work outside New Zealand. Some of the group's manufactured exports (particularly the ceramic products made at New Zealand Insulators' Temuka plant) carry a high rating on the new export incentive bands. Insulators are classified "A", as are household pottery goods. The group exports both products. About half the $4 million in offshore money is due to be repaid in September.

Auckland's Chenery Holdings and Wellington's Dunlop have yields of 11.6 per cent and 10.4 per cent respectively. Both are exporters, although observers would tend to place them in the "local" category.

In Dunlop's case the market has taken account of the group's involvement in the tyre industry, and the industry's problems in days of over capacity, fuel problems (which make the tyres last longer) and longer lasting products (which has the same


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effect). But the company has about 35 per cent of its business in non-tyre activities, and has been treating shareholders well in recent years.

Mosgiel is another textile company with a high yield — 10.4 per cent last week. The company's interim report showed a profit decline of 11.2 per cent, with the tax liability rising from $92,000 in 1978 to $223,000, or 38.6 per cent of pre-tax profit.

The interim dividend was paid from the share premium reserve, and therefore is free of tax. The market is unlikely to get excited about textile groups in current conditions, so the present return is understandable.

Lane Walker Rudkin is receiving similar treatment, with a yield of 9.9 per cent last week. The company had a 22.2 per cent profit downturn at the half way stage of the current year, but there was a low tax liability (22.3 per cent in the first half).

LWR has built up a reasonable export trade, and could show recovery as a leader in its industry if it can increase that business (clothing has an "A" classification under the export incentive scheme). The local market is difficult so the yield will probably remain high.

The mighty have really fallen when Lion Breweries sells at a dividend yield of 11.4 per cent. A combination of static beer consumption, sales taxes, controls at all stages of production and consumption and other factors account for the market's assessment.

But 11.4 per cent from a brewery seems an excessive yield, even when discounted for the problems. New Zealanders will continue to drink, they will continue to eat out (Lion is experiencing rapid growth in the food business, although still only a small proportion of total revenue) and the industry is unlikely to go to the wall in the foreseeable future.

A range of other companies are well above 10 per cent in terms of yield, but they are mainly in troubled industries. The market has little time for groups in housebuilding or builders supplies (Neil Holdings and Odlins for example), or in the transport industry (Brambles Burnett, Transport North Canterbury and Trans Ashburton). The assessment is understandable but the present share prices for some companies mentioned earlier are out of line with their current performance and prospects.

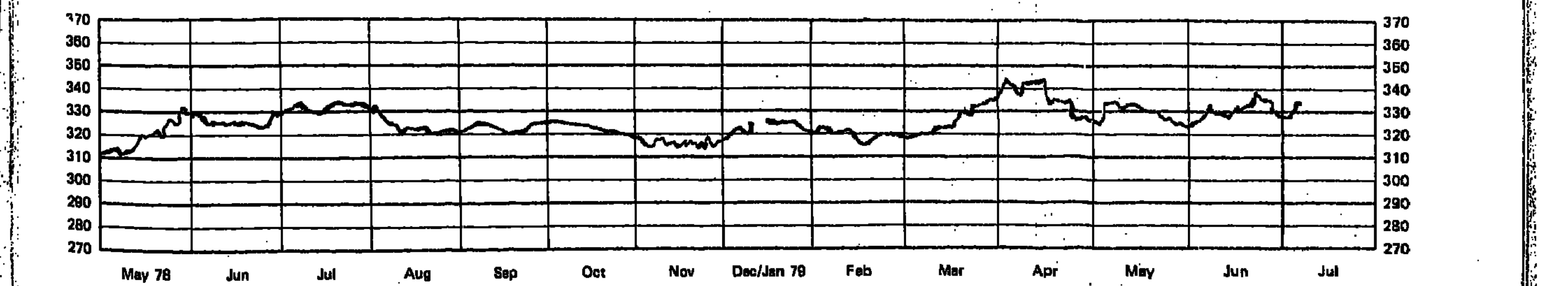
NBR SHAREMARKET SURVEY

WEEK ENDING JULY 5, 1979

1979 High	1979 Low	Company	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P-E Ratio
111	100	AIRWORK,50C	110	...	...	12.0	0	5.5	4.3
220	190	AJAX G.K.N.	208	208	208	13.0	100	6.3	4.1
110	50	A.J.WHITE	110	...	...	11.5	0	10.5	4.7
150	105	ALCAN,50C	105	...	...	20.0	0	9.5	3.2
255	230	A.H.I.	238	238	230	14.0	6700	5.9	5.4
76	65	ALLIANCE,50C	65	66	65	14.0	12300	10.8	3.4
260	230	ALLIED FARMERS	255	255	245	14.0	1200	5.5	5.6
153	124	ALLIED PRESS	153	153	125	11.0	63300	.0	6.6
220	220	ALLOY STEEL	220	...	...	13.6	0	6.2	8.7
212	165	A.M.BISLEY, 50C	195	195	195	25.0	3100	6.4	5.4
96	77	AMPOL PET.,50C	86	86	86	7.5	10800	4.4	6.5
145	125	A.BEAVEN	125	125	125	12.0	29000	9.6	5.2
125	110	A SPRINGHALL,	110	110	110	14.0	1300	12.7	2.6
260	245	A.WRIGHT	245	...	...	17.0	0	6.9	3.0
260	190	A.BARNETT	250	250	250	14.0	2500	5.6	4.0
150	125	A.ELLIS	130	...	...	12.0	0	9.2	3.9
330	287	ARTHUS YATES	300	300	300	17.0	200	5.7	6.6
315	275	ASHBY BERGH	275	...	...	22.5	0	8.2	4.7
215	175	A.B.CABLES	215	215	215	16.5	400	7.7	5.5
60	49	ATLAS, 50C	55	56	53	10.5	18200	9.5	3.1
415	310	AUCK.GAS	415	415	405	12.5	4950	3.0	9.5
225	190	AURORA,50C	190	190	190	21.0	5100	5.5	10.2
		A.C.I.	[illegible]	...	...	11.0	0	5.6	7.2
90	70	AUTOCRAT HOLDS	75	75	75	5.8	3200	11.7	4.1
79	50	BAILLIE,50C	62	62	62	11.0	4800	8.9	7.0
82	72	BALLINS,50C	75	75	75	13.0	29900	8.2	5.2
465	400	BANK N.S.W.,$2	440	440	440	17.0	200	7.3	6.4
62	53	BEACH PET.,50C	53	...	...	...	0	...	...
86	63	BING HARRIS, 50C	54	[illegible]	53	12.5	42200	7.4	15.5
185	156	B.N.Z. FINANCE	156	156	156	12.5	100	8.0	7.7
54	42	[illegible] BURNETT,50C	44	45	44	12.0	1800	13.6	5.1
56	50	BRIDGEVALE,50C	54	...	...	6.0	0	5.6	6.0
250	201	BRIERLEY, 50C	225	230	224	24.0	9100	5.3	5.2
77	65	BUS, 50C	73	...	...	16.0	0	11.0	6.4
66	52	BROADLANDS,50C	55	56	52	14.0	57900	12.7	5.8
440	1050	B.H.P.,$2	1150	1160	1150	16.3	1565	2.8	31.2
95	90	BROTHER, 50C	90	...	...	20.0	0	11.1	4.0
70	60	BUNTING,50C	70	70	69	11.0	8000	7.9	9.7
158	150	BURKES CAT.,50C	150	150	150	22.5	600	7.5	5.2
148	126	C.P.D.	142	142	140	14.0	15100	9.9	3.5
190	170	C.F.C.A.	190	170	190	15.0	9300	7.5	6.3
180	130	C.F.M.	172	172	170	14.0	2500	8.1	4.1
150	145	CANT.FLOUR	150	...	...	30.0	0	20.0	6.2
200	140	CANT.TIMBER	195	200	195	...	6400	...	...
290	160	CAPITAL RADIO,50C	275	275	270	...	4500	...	76.6
60	53	CAPITAL LIFE,50C	60	60	60	10.0	1600	8.3	10.7
310	230	CARBONIC ICE	235	235	235	14.0	300	6.0	4.6
225	208	CARTER HOLT	220	223	220	15.0	5600	6.8	4.5
186	155	CERAMCO	175	185	175	14.0	113400	7.6	5.4
216	180	CHALLENGE	195	197	192	12.5	14300	6.4	5.3
105	85	CHENERY	95	95	95	10.0	300	10.5	3.5
160	115	CH'CH.GAS	160	160	160	[illegible]	1500	1.6	6.1
260	220	CH'CH PRESS	225	225	225	14.0	4100	6.2	10.7
35	23	CITY REALTIES,50C	35	...	...	14.0	0	4.0	20.7
150	80	CLASSIC FASHIONS,50C	90	90	90	[illegible]	100	[illegible]	3.5
95	82	CLYDE ENG.	82	...	82	16.0	4100	19.5	[illegible]
210	146	COL.MOTOR	210	210	210	[illegible]	[illegible]	[illegible]	4.7
150	122	COLYER WATSON	144	144	140	6.5	4300	4.5	15.2
360	260	COMALCO,50C	340	340	340	22.0	300	3.2	17.0
120	102	CORBANS	115	115	112	12.5	2200	5.4	4.0
		COM.BANK AUST	[illegible]	...	...	12.0	0	5.0	[illegible]
205	140	CON.METAL,50C	154	154	154	15.0	[illegible]	5.2	[illegible]
7	3	CON.SILVER, 4C	4	...	...	...	0	...	...
250	160	COOKS WINE	205	[illegible]	[illegible]	[illegible]	2500	[illegible]	[illegible]
457	90	CORY-WRIGHT	59	[illegible]	57	11.0	[illegible]	11.1	5.9
260	200	CROWN CONSOLIDATED	210	210	[illegible]	15.0	1000	7.1	[illegible]
450	355	C.S.R.	400	400	395	15.0	500	3.3	11.5
112	80	CYCLONE,50C	110	110	110	12.0	2600	5.5	6.1
250	195	DALGETY(N.Z.)	202	202	200	[illegible]	7300	6.2	9.3
53	41	DALHOFF & KING,50C	49	49	49	12.0	6300	12.2	4.7
295	250	DEANES	260	...	...	12.0	0	4.5	4.5
155	130	D.I.C	132	132	130	[illegible]	4600	9.5	10.7
170	145	DINGWALL & FAULKER	160	160	160	...	2000	...	...
145	90	D.[illegible] WALLACE,50C	142	140	142	11.0	2700	7.5	7.3
90	70	D.I.R.A	70	...	...	8.5	0	12.1	23.3
105	90	DOM.BREW.,50C	95	92	93	17.0	59500	8.9	4.8
285	225	DONAGHY'S	270	270	270	15.0	1300	5.6	5.1
245	235	DONALD REID OTAGO FARMER	245	245	245	16.0	100	6.5	6.5
91	82	D.R.G.,50C	85	85	85	13.5	1800	7.9	4.6
235	114	DUNLOP (AUST)	235	...	...	10.0	0	4.3	17.9
255	200	DUNLOP (NZ)	240	...	...	25.0	0	10.4	4.6
110	102	EDLETT	105	...	...	12.0	0	11.4	5.2
95	78	EFOS,50C	92	92	92	12.5	400	6.8	3.4
140	123	E L'STEIN,50C	140	140	140	12.0	2100	6.4	3.1
80	71	EMPEROR MINES,10C	78	...	...	...	0	...	2.0
		EQUIT.BLDG	107	...	...	12.5	0	11.7	8.2
210	165	E.ADAMS	210	210	210	12.0	500	5.7	6.2
114	86	F.I.C.,50C	91	91	88	15.0	54800	8.2	5.1
70	62	F.[illegible],50C	62	62	62	12.5	400	10.1	4.2
109	97	FELTEX,50C	102	103	98	16.5	149200	8.0	7.6
135	115	FIRESTONE NZ	115	115	115	...	4800	...	4.4
238	198	FLETCHER	238	238	230	18.0	45800	7.6	5.1
145	120	FOUNTAIN CORP	130	130	130	9.0	100	6.9	4.5
113	93	FREIGHTWAYS, 50C	100	101	100	16.0	5900	8.0	5.0
130	125	GEAR	125	125	125	5.0	7200	4.0	12.1
145	130	GEN.FINANCE	132	132	132	12.0	1700	9.1	5.7
100	95	G.COURT	100	100	100	11.0	800	11.0	5.8
		GIANT	78	...	...	17.0	0	21.8	2.9
275	261	G.J.COLES,50C	270	272	270	24.0	1100	4.4	11.7
56	40	GOLDEN BAY,50C	46	47	40	12.0	10100	13.0	6.0
217	215	GOODMAN GROUP	217	217	217	...	1600	...	...
42	29	GROSVENOR PROPS, 25C	42	42	40	8.0	1700	4.8	17.5
240	195	HALLENSTEIN	215	215	215	16.0	2200	7.4	4.5
167	160	HARLEY	165	...	...	12.0	0	7.3	7.0
225	100	HAURAKI ENTERPRISES	215	215	209	120.0	30900	.0	47.7
62	62	HAWKINS,50C	65	65	64	18.0	6700	13.8	1.7
92	75	HAYWRIGHTS	90	90	83	5.0	5700	5.6	37.5
212	140	H.C. FARMERS	195	195	185	...	5470	...	5.4
360	265	HEALING	355	355	340	16.0	1000	4.5	6.4
200	142	H.POLLARD	190	190	190	12.5	4200	6.6	7.5
160	140	HENRY BERRY	140	142	140	36.0	1600	25.7	2.6
265	230	HODDER & TOLLEY	245	245	245	17.0	400	6.9	5.1
		HOOKER,50C	75	...	...	15.0	0	10.3	6.5
155	154	I.C.I.(AUST)	155	...	...	16.0	0	10.3	4.0
160	106	I.C.I.(NZ)	160	160	158	14.0	72700	8.8	5.1
215	165	IND BROADCASTING	190	...	...	14.0	0	8.4	8.7
133	123	INDEPENDENT NEWS	133	127	120	13.0	4200	9.8	7.4
186	145	IND.CHEM,50C	159	155	158	15.5	1700	4.9	7.7
130	118	I.W.DOW,50C	125	125	125	16.5	7000	6.6	4.8
206	170	JAMES AVIATION	200	200	200	12.5	2600	6.3	3.6
245	85	JAMES SMITH 50C	95	95	94	16.0	12700	8.4	5.2
245	210	J.E. WATSON	245	...	...	16.0	0	6.5	5.6
240	138	J.BURNS	185	...	...	12.5	0	6.3	92.5
165	150	JOHN EDMOND	156	165	156	14.0	3900	9.0	2.4
72	55	J.WEBSTER 50C	63	63	63	16.0	600	12.7	5.5
140	115	J.NATHAN	140	...	...	12.0	0	8.6	5.0

1979 High	1979 Low	Company	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P-E Ratio
190	170	J.RATTRAY	185	190	185	12.0	1600	6.5	4.6
210	210	KEARNS-OATINA	210	...	...	3.0	0	1.4	25.3
69	67	L.W.HUCKIN,50C	72	72	70	14.0	41300	9.7	3.2
60	45	LANES,50C	48	48	43	10.0	200	10.4	7.6
212	180	L.D.NATHAN	190	191	190	14.0	12500	7.4	4.4
95	75	LEYLAND,50C	90	...	...	15.0	0	3.3	10.8
80	71	LION	78	78	76	15.0	37000	9.6	7.7
35	15	L.AM.OIL,50C	24	24	22	...	15400	...	60.0
255	255	LUSTEROID	255	...	...	21.0	0	8.2	4.0
125	112	MAINZEAL CORP,50C	125	125	125	16.0	1200	6.4	4.9
220	165	MAIR,50C	215	215	215	25.0	1400	5.8	5.4
125	100	MANAWATU,50C	120	...	...	16.0	0	6.7	6.4
180	155	[illegible]	180	180	180	10.0	200	5.6	3.7
190	170	MARAC	175	175	175	15.0	700	6.6	6.2
140	112	MCALPINE,50C	120	120	120	16.0	100	6.7	2.7
166	145	MCKECHNIE	155	155	155	12.0	35000	7.7	4.9
120	61	MCKENZIES,50C	110	110	110	11.0	10100	5.0	10.1
		MED.SUPPLIES	235	...	...	5.0	0	2.1	3.4
160	125	MIDLAND	150	150	150	12.0	500	8.0	6.4
25	12	MIN.RESOURCES,20C	12	15	14	...	2300	...	15.0
72	55	M.O'BRIEN,50C	65	69	65	10.0	1000	7.2	5.5
135	113	MONTANA,50C	130	130	127	7.5	40300	7.9	7.5
380	130	M-P.I.M.	150	150	150	12.5	2000	8.3	3.7
140	125	MOSGIEL	125	125	125	13.0	2500	10.4	5.1
65	50	MOTOR HOLDS.,50C	63	63	62	11.0	21600	8.7	3.0
90	73	MOTOR TRAD.,50C	73	76	73	14.0	108200	9.6	48.7
120	100	MSI CORPN,50C	115	117	115	17.0	22500	7.4	4.4
265	150	MT.COOK	175	175	172	13.0	10800	7.4	9.8
405	261	M.L.P.HOLDS.,50C	390	400	390	15.0	1800	1.9	24.5
200	178	NAT.INS[illegible]	195	195	195	27.0	24800	13.8	4.5
		NAT.PICTURES,$2	172	...	...	5.5	0	6.4	15.1
130	120	NAYLOR	130	130	120	12.0	1600	9.2	5.5
		[illegible]	115	...	...	4.0	0	3.5	4.1
57	35	NEIL HOLDINGS, 50C	39	43	38	12.0	55100	15.6	2.5
114	95	N.Z.CEMENT	98	98	96	5.0	7700	5.1	8.1
96	81	N.Z.F.C.,50C	93	95	93	14.0	4400	7.5	6.2
192	162	N.Z.FARM FERT.	165	170	162	13.0	11700	7.9	5.4
245	200	N.Z.F.P.	237	237	224	15.0	55000	6.3	8.2
325	238	N.Z.I.G.	300	300	300	17.0	5900	5.7	7.2
253	226	N.Z.I.	226	226	226	20.0	49500	8.8	4.0
30	16	N.Z.LAND,50C	20	...	...	...	0	...	100.0
106	70	N.Z.LEATHERS	75	75	75	...	1000	...	4.4
111	70	N.Z.MOTOR BODIES	75	...	...	10.0	0	13.3	7.7
136	108	N.Z.M.C	134	134	130	12.0	11700	9.0	4.5
180	165	N.Z.NEWS	172	172	170	16.0	3900	9.3	6.0
220	142	N.Z.PASTORAL	215	...	...	10.0	0	4.7	14.6
40	21	N.Z.PETROL,50C	40	...	...	...	0	...	57.1
93	78	N.Z.REFINING	80	80	77	7.5	4600	9.4	4.8
185	165	N.Z.STEEL	180	180	176	11.0	1056900	5.1	4.3
165	140	NZTS,50C	155	155	155	16.0	4700	5.8	6.5
390	325	N.Z.UNITED	390	390	390	20.0	200	5.1	7.8
106	100	NIVEN INDUSTRIES	106	106	106	[illegible]	1200	5.7	10.9
75	67	[illegible]	75	75	75	...	500	...	...
65	50	ODLINS,50C	63	[illegible]	61	12.0	29700	10.2	[illegible]
76	63	[illegible], 50C	65	65	63	12.5	12000	7.6	[illegible]
150	125	[illegible] HOLDINGS	125	...	...	...	0	...	...
[illegible]	100	[illegible] HOLDS,50C	105	...	...	[illegible]	[illegible]	7.2	7.7
90	[illegible]	PERP.INVS.$1	[illegible]	...	...	11.5	[illegible]	15.5	7.6
112	104	PHILLIPPS & IMPEY,50C	105	105	105	12.5	[illegible]	[illegible]	[illegible]
95	75	PRESTIGE,50C	75	75	76	15.0	5200	[illegible]	[illegible]
165	150	PRINT & PACKAGING	160	160	160	13.5	1200	8.4	[illegible]
400	320	PROGRESSIVE	340	350	340	11.7	2000	[illegible]	[illegible]
195	132	PROP.SECURITIES,50C	195	195	195	[illegible]	[illegible]	[illegible]	11.0
105	100	PROV.BUILDING	105	...	...	[illegible]	[illegible]	14.6	[illegible]
80	75	PYE ELECT.,50C	75	[illegible]	75	[illegible]	[illegible]	[illegible]	[illegible]
150	142	QUILL HUMPHREYS,50C	150	...	...	[illegible]		[illegible]	3.9
345	160	RADIO AVON,50C	160	170	170	[illegible]	200	4.7	4.1
350	220	RADIO OTAGO	310	...	...	20.0	[illegible]	6.7	[illegible]
100	75	REGINA	95	95	95	11.0	700	11.6	[illegible]
225	163	R & W HELLABY	188	195	188	14.0	6100	7.4	3.5
80	71	REPCO(NZ),50C	75	76	75	12.0	1300	8.0	5.3
6	3	REPUBLIC PET.,50C	6	...	...	...	0	...	...
255	220	REVERTEX	250	...	...	14.0	0	5.6	5.1
240	228	REX CONSOL.	230	230	225	14.0	1000	6.1	7.0
215	160	RHEEM,50C	160	160	160	12.0	2300	3.3	7.7
242	242	RICKSTAN,50C	242	...	...	...	0	...	29.2
112	97	ROTHMANS,50C	103	104	103	15.0	23400	7.3	4.9
260	260	R.W.SAUNDERS	260	...	...	20.0	0	7.1	2.3
275	225	SALMOND	275	275	275	14.0	100	5.1	5.9
290	210	SANFORD	285	285	285	16.0	200	5.6	5.0
135	110	SCHOFIELD	125	...	...	9.0	0	7.2	3.7
59	52	SCOTT,50C	54	55	52	4.0	4100	3.7	7.3
200	200	SELBY	200	...	...	15.0	0	7.5	4.6
255	215	SKELLERUP,50C	240	240	235	20.0	3400	4.2	4.1
135	110	SMITH, BROWN,50C	130	135	130	16.5	13200	6.3	5.0
190	166	SMITH [illegible],50C	185	185	185	15.0	4500	4.1	6.4
145	130	SMITHS C.P.	135	135	132	[illegible]	1800	5.9	4.5
315	274	STH. BRITISH	282	282	280	22.5	15900	8.3	4.9
130	109	STHN. CROSS HOTEL	130	...	...	9.0	0	6.9	27.1
11	7	STHN CROSS MINS.,20C	7	...	...	...	0	...	...
215	185	S.T.[illegible]	195	198	195	35.0	39200	7.7	5.3
90	73	SPEDDING, 50C	75	75	73	22.0	11600	14.7	11.7
105	95	STEEL & TUBE, 50C	102	104	100	16.5	54500	8.1	5.5
158	97	SUCKLING	158	...	...	14.0	0	8.9	5.2
165	135	TAPPENDEN	160	...	...	12.0	0	6.7	11.8
200	144	TASMAN, 50C	185	185	140	5.0	4300	1.4	17.3
145	120	TAYLORS	145	145	145	13.0	800	9.0	5.1
245	145	TELETHERM	185	190	185	17.0	700	9.2	4.3
88	75	TNL GROUP,50C	83	83	82	14.0	10800	8.5	8.4
425	345	T J EDMONDS	420	420	418	17.5	16500	4.2	6.5
100	80	TOLLEY	80	80	80	10.0	1000	12.5	11.6
90	72	TOUR FIJI	80	...	...	...	0	...	...
45	42	TRANS ASHBURTON, 50C	43	...	...	10.0	0	11.6	4.0
150	120	TRANS HOLDS	150	...	...	12.0	0	8.0	6.9
115	100	TRANS (NTH. CANT.)	104	104	104	12.5	2600	12.0	4.3
165	135	TRANSVISION	155	155	155	7.5	13000	4.8	9.5
158	125	U.D.C.	135	138	135	12.5	3100	9.1	5.5
94	80	U.E.B.,50C	92	92	90	17.0	45000	9.2	6.3
95	93	UNITED BLDG	93	...	...	15.0	0	16.1	4.7
150	120	UNITED PUBLISHING,50C	150	150	150	18.0	3000	6.0	4.8
88	52	VACATION,50C	77	80	77	9.0	17800	5.8	8.0
150	134	WAITAKI-NZR	144	144	142	13.5	22200	9.4	4.1
300	255	WALKER[illegible]	300	...	...	13.0	0	4.3	6.4
97	88	WATTIE,50C	93	93	90	15.0	85800	6.1	4.2
402	150	WGTN.GAS	402	402	402	12.0	250	3.0	8.4
135	90	WILKINS & DAVIES	135	135	130	10.5	2900	7.6	10.2
175	166	W.JEFFERY	170	170	170	12.5	2900	7.4	4.5
268	230	WILSON & HORTON	238	238	238	17.0	4400	7.1	5.1
135	100	WILSON DISTILLERS	133	...	...	...	0	...	56.0
335	290	WILSON NEILL	335	335	330	15.0	5100	4.5	6.3
93	80	WINSTONE,50C	81	83	80	14.0	61200	8.6	5.8
179	115	W'WTHS (AUST),50C	175	175	175	19.0	300	5.4	7.7

NBR / NZUC SHARE PRICE GRAPH (Base 1957 = 100)



Ministry probes club's cut-rate fare deal

Continued from Page 1

hire of club rooms and interest received.

The 1978 accounts show substantial income from two additional sources. One of these put down as "subsidy income" amounted to $206,631.

The second "hotel accommodation" amounted to $121,576. Told income for 1978 was $371,429 versus $29,857 for 1977.

A letter from Link's accountants, Mabee, Halstead and Kiddle, to the Assistant Registrar of Incorporated Societies, explains this change in income.

"As regards the subsidy income and hotel accommodation income that was shown in the 1978 accounts, prior to 1 July 1977 this activity was handled by one of the travel companies in the organisation. Consequently this type of income was not shown in the Link Associations accounts for the year ended 30 June 1977," the letter said.

The letter went on to say, "however, in order to comply with the IATA agreement this activity is now handled by the Link Association and thus was shown in their accounts for the year ending 30 June 1978".

Sigerist said the hotel income came from overseas hotels in return for business generated for them by Link.

The income put down in the accounts as "subsidy income", Sigerist said, came from "overseas organisations".

He would not name these organisations. But he said the subsidy did not come from any airline.

The ticket questioned by TAANZ was written on a Sabena ticket form.

When a ticket is written on one airline's form, and includes sectors in which the passenger is carried by another airline or airlines, the airline on whose form the ticket is written receives the full fare less the travel agents' 9 per cent commission.

In this case Sabena would receive the fare and have to pay Air New Zealand for the sectors it served. The distribution of money between the various carriers is usually handled by the IATA clearing house in Geneva.

In brief, the calculation works something like this: An airline issues a ticket from point "A" to "E", and charges it at, say, $500 based on total mileage covered.

Suppose the sector "A" to "B" bears a tariff of $100, "B" to "C" $200, "C" to "D" $300 and "D" to "E" $400. Addition of the sector fares comes to a total of $1000. But the passenger paid only $500. So the carriers are each paid out on a pro-rata basis — in this case, 50 per cent of the tariff for their sectors.

Each airline bills the airline issuing the ticket for its pro-rata share. The process is called interlining.

To be accepted the ticket must bear the correct price for the total fare, in this case $1647.

Sigerist said the airlines were paid the full $1647 less commission.

The difference between this amount and the $1220 paid by the passenger was paid by the Link Association.

Link holds the GSA for Sabena and Philippeans Airlines, under an associated company, Consolidated Air Services Ltd.

Consolidated acquired the Sabena GSA some years ago from the Australian Jetset boss, Issie Liebler.

Liebler held the GSA for both New Zealand and Australia and sublet the New Zealand side to Consolidated. Consolidated has now taken it over completely.

Link's $1220 fare is one of the best travel deals going in this country.

Link's membership is growing. And while TAANZ may be complaining about Link's fares, the travelling public are not.

Link also offers members an interest-free fly-now-pay-later scheme.

The member can pay 50 per cent of the fare in advance and the rest over 18 months. There is no interest — only a $20 administration charge.

Says Sigerist: "We started the service when we realised how many of our members were being fleeced of 18 to 20 per cent interest on short term unsecured loans."

"We felt that was a lousy trick to play on people who had a death in their family.

"We found a way, and TAANZ don't know how it is done, where we can offer our members a no interest plan. During the last six years we have not had one bad debt", he said.

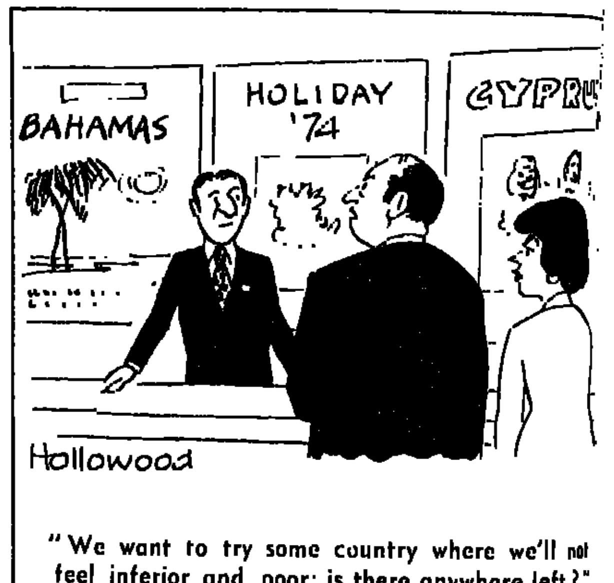
Link, through one of its associated companies, Link Resorts Ltd, recently bought into a hotel at Waiwera.

Sigerist said Link's next move was to promote New Zealand overseas and expand its inbound tour operations.

Air New Zealand's competitors have been casting a watchful eye on their arrangement with Link.

Air New Zealand has blocked all moves towards a fare-cutting open skies policy for this country on the grounds that they can't afford it.

But if Air New Zealand has entered into any deals with Link or any other agency that has the effect of discounting fares (and this has not been proven) then Air New Zealand's argument about not being able to afford fare cutting competion just boils down to not wishing to allow competitors to participate in such deals — and a desire by Air New Zealand to retain the lion's share of the local outbound market.



"We want to try some country where we'll not feel inferior and poor; is there anywhere left?"

'Energy exports' draw ecologists into fray

Energy Reporter

THE $2 billion scheme for an export liquefied natural gas plant at Marsden Point is raising the hackles of the environmental lobby.

The public interest groups have never been enamoured with calls for the export of finite resources, and Shell's "conceptual plan" has sent them scurrying to the reference books to learn more about the safety aspects.

In the last few days the first draft of a book on LNG surfaced in Wellington. The book, Frozen Fire, is currently being printed in the United States, and is already adding new dimensions to the LNG debate.

In the first chapter there's a vivid recount of the explosion at the huge LNG tank at New York's Staten Island on February 10, 1973. Workers were repairing a tear in the tanks' lining.

"Suddenly, at about 1.10 pm, just after the men returned from lunchbreak, a violent explosion slammed through the tank, so powerful that it lifted the tank's huge domed steel and concrete roof clear of its supports. Tongues of flame leaped out through the gap, forming what one witness called 'a ring of fire' around the perimeter of the tank, framed by rolling clouds of sooty black smoke. Then the roof collapsed inwards, burying all 40 workers underneath with tonnes of debris. There were no survivors from the tank floor.

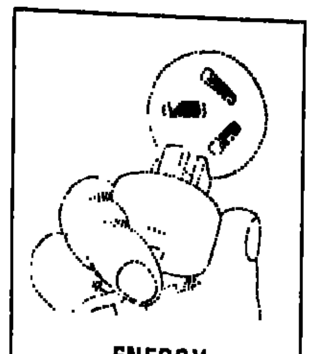
"Twelve hours after the blast, two exhausted firemen were lowered into the tank to survey the damage. When they were hauled up again, shaken, they described a wasted landscape of jagged chunks of concrete, twisted metal and charred forms, seen dimly through the smoke. One called it 'very eerie'; his companion added 'it was like a science fiction novel, or Dante's Inferno'."

The book describes another LNG fire, in Cleveland, Ohio, on October 20, 1944.

A small tank "sprung a leak, ruptured and collapsed".

The resultant conflagration "raged out of control, killing and burning and mutilating everything in its path, gas explosions bursting people's homes like some ghastly fireworks display. When it was over, 130 people lay dead or dying, and over 200 were injured, some with scars that would never heal. Seventy-nine houses were totally destroyed, along with two factories and over 200 automobiles and trailers. It left a gritty swath across a 12 hectare section of the city. Fifty more houses and factories were partly wrecked. Property damage came to $6.8 million, in 1944 dollars".

The oil and gas industries argue that Frozen Fire probably is correct in fact, but is laced with emotional undertones. They point to the tremendous advances in the technology through the last few years.



ENERGY

And there is no doubt about the tremendous expansion of the LNG market.

A recent issue of the Petroleum Economist says: "Current estimates at 1985 put imports by the industrialised 'free world' at some 170 billion cubic metres of gas a year as LNG, equal in energy terms to about 3 million barrels daily of oil."

The experts say LNG will break the grip of Opec on the supply and pricing of liquid fuels.

But what is LNG? Why the fuss?

Liquefied natural gas is a cryogen; lowering the temperature of the gas reduces its volume.

At minus 161 degrees C at atmospheric pressure, 17 cubic metres of gas becomes .3 cubic metres of liquid.

The LNG technology involves storing and transporting the liquid to developing markets in the US, Japan and elsewhere where the liquid is regassified under controlled conditions.

It is used for heat in homes, industries and power stations.

The technology has also provided an answer to fluctuations in seasonal gas demand.

In the United States, what is known as "peak shaving" involves liquefying gas during summer months, then regassifying the liquid and piping it to markets during winter demand.

For a country like New Zealand, with crippling overseas payments for Opec oil, LNG is billed as a way to effectively swap Maui gas on the world market for oil.

Shell's scheme involves the construction of several platforms on the Maui field, a complex at Marsden Point, and a fleet of LNG tankers.

The company says it will require only the equivalent supply of gas that would have gone to the (now shelved) Auckland Number 1 and Number 2 power stations.

It would yield $500 million from overseas funds and locally produced oil condensate and LPG each year.

There is consensus from the oil companies that the LNG option is worth pursuing, but there is disagreement over whether it can be managed without the discovery of another gas field.

In the wings, are the environmentalists, who oppose the scheme on safety grounds, and because it means exporting a finite resource.

The Government will not be able to ignore either of these concerns, but recent official statements are showing the sheer weight of the overseas exchange problem is causing a growing number of sympathetic ears to calls for "energy for export".

The safety question still needs discussion, but overseas market trends are showing increasing acceptance of the technology by producer and consumer governments.

It is in the light of the overseas experiences that safety issues will be argued.

In the meantime, the Liquid Fuels Trust Board is receiving the research of contracts let worldwide on the options for the development of Maui. It won't be until the end of the third quarter that New Zealanders will learn about how LNG stacks up against the other options.

Arizona forges ahead as manufacturers' utopia

by Warren Berryman

ARIZONA to the average New Zealander, is a land of cowboys and cloudless skies — a place to take one's sinuses.

But Arizona is something more. It is New Zealand's economic and political antithesis.

While New Zealand erodes its own tax base by driving productive earners overseas with penalty taxation, restrictive business practices, and bureaucratic harassment, Arizona is becoming a refuge for American firms who have fled the North and Eastern states for much the same reasons as businessmen flee New Zealand — high taxes, bureaucrats, welfarism, and labour unions.

Once known for its "three Cs" — cattle, cotton and copper — the sunshine state is now diversifying at incredible speed into high technology industry, particularly electronics.

The major attraction for the businessman is Arizona's fourth C — conservatism, Barry Goldwater style. Ask an Arizonan what his state Government does for business and he will probably tell you, "nothing, we just leave them alone".

Arizona conservatism is so far to the right as to be beyond the ken of the average New Zealander.

Call it being left alone, laissez faire, or that old American principle that a Government governs best when it governs least, the Arizonans offer the businessman the limited government alternative. And business is booming.

The state can boast one of the fastest growth rates and one of the lowest levels of unemployment in the country.

Tucson, the old pueblo, 160 kilometres from the Mexican border relied heavily on its copper mines. But then the bottom dropped out of the metal market dumping thousands of miners on the job market.

Last month National Semiconductor Corp established a new plant in Tucson that will eventually employ 2000 and create an additional 6000 jobs for its attendant service industries.

Less than two years ago, IBM established a plant in Tucson which already employs 1500 people and should employ several thousand more when it reaches full capacity.

And why do the industrialists come to Arizona? For a start, state taxes are lower than in the northern and eastern states. And state taxes are kept low by an avoidance of anything that smacks of welfarism.

Then, there is the Right to Work Law. Arizona, like 19 other American states, most of which lie in the Southern sunbelt, has this law which says that no man can be forced to join or pay dues to a labour union.

The Right to Work Law states it is against the law for any employer to make an agreement with a labour union requiring employees to join the union in order to be hired, for example, closed union shops are outlawed.

The Right to Work Law is the subject of hot debate. Unionists argue that closed shops are consistent with the democratic idea of majority rule. They complain that in right to work states when a union strikes, scabs cross the picket lines, but when the strike is over, scabs still get the benefits without paying union dues.

Businessmen, and some civil libertarians argue that the freedom to comply with the majority is no freedom at all. The freedom of association, so jealously guarded by Americans, is meaningless, they argue without a corresponding freedom to dissociate. Why, they ask, should a man, merely to get a job, be forced to join and pay dues to an organisation he feels to be unnecessary or worse, politically repugnant?

Campaigning for a Right to Work Law to cover the whole of the United States, the National Right to Work Committee points out that private sector unions sustained a net loss of 866,000 dues-paying members between 1974 and 1976.

They claim that "union members now comprise only 20.1 per cent of the total labour force — down from about 25 per cent in 1955. And most of those workers joined a union because they had to — to hold onto their jobs".

In real political terms, the Right to Work Law doesn't add up to cheap labour for the businessman operating in Arizona. It does mean less union power, freedom from strikes, and a workforce that can change easily to meet new conditions without arguments about job demarcation, seniority, redundancy payments, etcetera.

Arizona employers will argue that if the worker loses anything by not having a powerful union behind him, he is compensated for this loss with job security knowing that a union will not price his labour out of the market and force his employer to close shop.

Tucson yields another example of solving unemployment with free enterprise rather than government intervention.

Just south of Tucson lies the Papago Indian Reservation. Lacking in skills, the Papagos often found themselves unemployed. First an industrial park was established on the reservation. Industry was attracted with the promise of relatively cheap labour on the proviso that they commit themselves to training the Indians.

Once they had their industrial park under way, the Papagos went one step further. They applied for, and won the right to establish a free trade zone around their industrial park.

A free trade zone is an enclosed area, controlled by United States Customs on United States soil, where manufactured goods may be imported, assembled, packaged labelled, stored, exhibited, and sold without firms having to pay import duties, or taxes until the goods are taken from the zone.

In New Zealand terms it would be like setting up a Singapore in Otara or some other area of high unemployment.

For all intents and purposes it would be a duty free port — provided the goods manufactured in the zone were meant for export, no duties, taxes or import licensing would apply to raw materials or components imported.

Finished products exported from the zone would attract duty when coming into New Zealand.

The Papago free trade zone promises to be a huge success, Shortly after winning approval early this year, five Taiwanese firms signed letters of intent indicating interest in locating there. Companies from Japan, Germany, and two large United States firms also expressed serious interest.

With a virtual free trade policy in manufactured goods in force, American firms are under strong competitive pressure.

So stiff is the competition in manufacturing and retailing that the New Zealander will find the United States like one huge duty free shop.

American manufacturers, though they pay their labour double to three times New Zealand wages, have to sell *their goods at something like a third of the New Zealand price* for a comparable product to remain competitive with imports.

As a result, many American firms moved offshore to take advantage of cheap labour.

The free trade zone concept promises to bring at least some of those jobs back to the United States.

The Arizonans have another way to beat overseas competition without sacrificing their free trade principles. There is an abundance of cheap labour just across the border in Mexico.

Industry came to the border cities to establish what the Arizonans call the twin plant concept. In essence, the Americans supply expertise and capital while the Mexicans supply the labour.

Back in 1969, the Arizona-Mexico border town of Nogales had a population of about 50,000. The twin plant scheme started a boom that more than doubled this town's population as workers flocked in to take advantage of steady work — and by Mexican standards — good wages.

The scheme started with twin plants that straddled the border. Here, firms could cut management costs by having the same management team serve both facilities.

But as the scheme extended deeper into the hinterland of both countries, separate management schemes evolved. At present, some companies have one office in Tucson 160 kilometres from the border and another in a Mexican city 160 kilometres south of the border in Sonora.

The twin plant concept, or something like it, might appear attractive to, for example, an Auckland manufacturer and some South Pacific Island Government — *if the New Zealand Government would drop some of its* protectionist policies to let such a scheme proceed.

Boards freeze ABC out of base cargo trades

by Warren Berryman

ABC Containerline, the Belgian owned cut-rate shipping line has been frozen out of the New Zealand meat and wool trades by the producer boards.

ABC offered wool exporters substantial freight rate reductions, but the Wool Board *will not allow wool exporters to* use the service. The board has forced wool exporters to use ships belonging to the conference price-fixing cartels.

ABC recently began carrying Australian wool at rates 23 per cent less than those charged by the cartels.

Even before ABC entered the Australian wool trade, the cartels which serve both Australia and New Zealand, were charging Australian wool exporters substantially less freight charges than were charged to New Zealand wool exporters. This occurred even though Australian stevedoring charges were substantially higher. In some cases Australian and New Zealand wool went on the same ship, the Australian bales being charged at a cheaper rate than the New Zealand product.

ABC has offered substantial freight reductions for dense baled wool. Dense baled wool is available in New Zealand only from the independent wool firms such as Mair and Company, Ferriers and Leitchensteins.

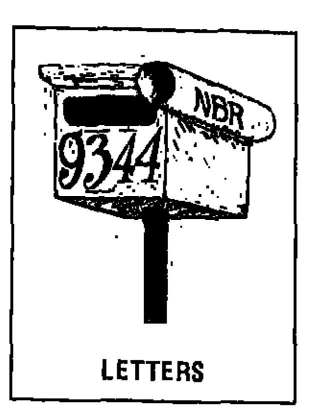
The Wool Board approved central wool facilities, owned by the "wool club" (Dalgetys, Wrightson NMA, the Wool Board and two shipping cartel members) do not have this facility.

The Wool Board's refusal to allow non-conference lines to carry New Zealand wool means, in effect that the Australians gain a further freight advantage over this country . . . and the farmer in the final analysis gets relatively less for his wool.

The Meat Board refused to grant ABC approved carrier status on the New Zealand-United States route. The New Zealand-United Kingdom and Europe route is still being negotiated.

The Wool Board's freight council is at present considering an application by ABC to carry wool to the United States.

Any wool exporter shipping his own wool on a shipping line not approved by the Wool Board risks losing his wool export licence, his 10 per cent freight rebate from the conferences, and might be charged increased rates should he ever want to use conference ships again after leaving the fold.



Abortion epidemic

BOB Edlin (National Business Review May 9, "Abortion Committee — an ominous precedent?") has the cart before the horse. The ominous thing about the Abortion Supervisory Committee is that it was necessary for it to be created at all.

To begin at the beginning, abortion is killing. It isn't, as Edlin seems to imply, just another item in a "health service". After all, what sort of treatment is it that ends up with a small human body in pieces in a jar or bucket?

There is no intention discernible in the report of the Royal Commission or the Contraception, Sterilisation and Abortion Act (1977) to set up an abortion service. The intention of the Act as far as abortion is concerned is "to provide for the circumstances and procedures under which abortions may be authorised, after having full regard to the rights of the unborn child". The Act empowered the Abortion Supervisory Committee, among other things, "to keep under review all the provisions of the abortion law and the operation and effect of those provisions in practice."

This is the law and it is inaccurate and misleading for Edlin to say that in Wellington recently, because of actions by the committee, a "health service provided for by statute collapsed". The committee was doing what Parliament, in free voting, had asked it to do. Not the Prime Minister, not the Cabinet, not the Government, not the bureaucracy — but Parliament. And it is idle to try to represent the actions of the committee as those of some clandestine arm of the administration.

Edlin begins his article by saying that the Abortion Supervisory Committee had intruded on the medical profession's internal arrangements to maintain professional standards. A superficially impressive statement, slipping easily off the pen, but one which is empty of any meaning. What internal arrangements to maintain professional standards? There are more—or at least there are more that have been allowed to work. The profession as a body has been unable or unwilling to apply a standard, clearly expressed in its own ethical code, concerning respect for human life. It is precisely because of this that the abortion epidemic developed, necessitating a Royal Commission and an Act of Parliament.

That is what should concern those businessmen and professionals "who have no interest in the abortion issue"—the consequences of a profession and a society allowing itself to hold a selective morality and a double standard, supporting and healing some human lives one moment, suppressing and destroying other human lives the next.

P S Brooke
Nelson

Policy yield poses problem

MR C T Reed in his letter "Policy Yield Slides Down" has posed the problem of inflation on contracts expressed in the fixed dollar terms. However the table which he published contains two fallacies which should be corrected:

The return on a single premium policy with a premium of $1000 gross was not the same in 1961 as it was in 1977. Nor was the marginal tax rate a constant 50cents from 1951 to 1968, nor was $1000 fully deductible for life assurance premiums in each of these years, nor was such a guaranteed non-profit policy available in these years.

The return which he postulates of $2000 for $1000 premium after 11 years is not the most attractive available on the market — Commercial Union New Zealand guarantees $2012 after 10 years for $1000 premium.

I am sure Mr Reed could have expressed his conclusion much more simply by stating that the real rate of return on an investment can be found by deducting the rate of inflation from the after tax yield.

Can he suggest a better investment for a person with $1000 to invest.

J R Hunter
Lower Hutt

Rowling plea gains support

OPPOSITION Leader Bill Rowling was quoted as saying he would like a Budget wrapped around tax reforms which put extra cash into the workers' pockets. We could not agree more.

ASENZ has always advocated a restructuring of the tax system by reducing income tax and shifting the emphasis toward consumer or indirect tax. In this way the decision of the wage earner to keep his enlarged pay packet or pay the bulk of his tax by spending it would be one of his or her making.

Equally, such a tax reform might be seen by Mr Muldoon as his last chance to wrest the National Party back to the policies for which they were elected.

There are other ways a free enterprise system will help workers who have been brainwashed by the Government into believing that wage increases somehow cause inflation. This in turn has been the Government's excuse to upset the wage price mechanism, which works perfectly well if allowed to do so, by imposing wage and price controls which never work.

It is no more possible to curb inflation by keeping down wages than to reduce blood pressure by putting the patient in a strait jacket. There is only one cause of inflation — Government spending. When the Government spends more than it raises in taxes, it is forced to increase the money supply either by printing the extra cash it needs to finance its spending or issuing credits beyond its deposits.

The Government causes inflation by debasing the currency. This was a capital offence 400 years ago which lost many a finance minister his head.

The unions should be left to work out their wages policies with the employers by the time-honoured process of collective bargaining while the Government looks after what is more properly its concern — control through the Reserve Bank of the growth of money supply.

M J Sampson,
General Secretary,
Association for the Survival of Enterprise in New Zealand.

Dairy exports find market

SIR JACK Harris's article (NBR) on foxgloves and periwinkles seemed to be saying that the export prospects of the New Zealand dairy industry were so bad that it should be phased out and replaced with some of his suggestions. I find it hard to believe he was completely serious, but in case he was here are a few points to consider.

First, while not denying the problem of dairy surpluses in the EEC, the greater proportion of our dairy exports — about two thirds — go to other destinations than the EEC. While the dumping of EEC surpluses could badly hit some of these markets it will certainly not wipe out all of them, especially those being supplied with specialty products such as caseins and cheeses, which the EEC does not produce a surplus of.

Secondly, we are talking about substitutes for an industry which earned over $600 million in export income last year. That requires a large volume of alternatives, even if they are exceptionally high value. Just incidentally it is unlikely many of these alternatives can match a new dairy product which came into production this year. This is soluble protein, extracted from previously waste casein whey, and selling for in excess of $3000-tonne.

But to look at some of Sir Jack's alternatives. Elderberry. Oddly enough this is already being used, and has been for some time. A farmer in South Canterbury produces a range of elderberry wines, and has combined this with tours of his winery to produce an interesting tourist attraction.

Poroporo (Solanum aviculare). This has gone well past the stage of experimental cultivation. A full scale factory for the extraction of the raw material solasodine from solanum aviculare grown commercially was opened at Waitara in February. About 500 hectares is now being cultivated and it is planned to double this in the coming spring. The solasodine is extracted from the whole plant, not just the berries.

Foxgloves. Digitalis lanata is the species of choice for alkaloid extraction. This is not the plant growing wild in New Zealand which is D purpura. Digitalis-based drugs are being used less frequently these days anyway.

Gorse. If this can be converted into good cattle feed there are several thousand farmers who would like to know of the process. About the only method I know is to spray it, burn it, and plant grass, but I doubt that is what Sir Jack means. Gorse has been suggested as a possible answer to part of our fuel crisis, so it may prove useful yet.

I don't doubt the good intentions of Sir Jack's article, but I wish he had done a little more homework first. Most of the things he mentions have been thought of and tried, and the ones that look profitable are going ahead. There is a tremendous willingness among New Zealand's farming/horticultural/small holder population to try new ideas at the moment — what they are really looking for is rather more guidance and assistance from the top, mainly in the form of being given the freedom to get on with the job, and gain a reasonable reward for their efforts.

Neil Rennie
Birkenhead

A BACKWARD GLANCE

An occasional series by Grev Wiggs

AT A GUESS, 80 per cent of all advertising men and women have worked with the three major media all their professional careers.

Print has always been here, it seems, commercial radio is now a veteran of more than 40 years and television celebrated its 19th birthday this month.

Station 1ZB opened in October 1936 and 2,3 and 4ZB followed the next year. At the time, few realised fully the profound effects that this noisy novelty was to have on the advertising business.

The newspapers opposed it openly and bitterly while some agencies treated it as a passing phenomenon and others, preparing to make a fortune, launched out with full-scale, expensively equipped radio departments.

The significant effect that changed the face of advertising was that the advent of radio fermented a whole new brew of advertisers. The novelty and low cost of the medium plus the tigerish competition between press and radio, raised consciousness of advertising to a new high point.

The smallest retailer found that, for the space of 30 seconds, he could command a radio station's entire audience.

It was heady stuff to fly solo in undisputed possession of the airways. Radio expanded advertising's commercial influence and so even the newspapers were to benefit from the new crop of advertisers.

A couple of decades later, we were all much better prepared for television. Australia had started five years earlier and a stream of Kiwi visitors were looking over Aussie shoulders for all that time. But in spite of the gearing up we did not do all that well creatively for some time.

When radio had emerged, we were suddenly confronted by instant experts on the subject of script-writing.

"In radio," they said, "you must remember to write for the ear and not the eye", as if speech had suddenly been rediscovered.

When television came along, a new crop of experts said: "Now you have the spoken word, the written word, visual images and movement — new elements to juggle with and new stimuli to attention and interest."

And even then, many missed the profound difference between buying space and buying time. The press advertisement can explode instantaneously. The message can race to the brain as fast as the processes of perception will allow. Remember the famous Volkswagen ad which showed the Beetle and just two words of copy, "Think small".

Radio and television advertisements emerge over a time span, presenting a story in sequence. They have a beginning, a middle and an end, or better, a climax. They have a new dimension — time.

This difference does not make one medium superior to another — just different. In exploiting the differences, the creative person demonstrates advertising's highest skills.

A UK look at NZ media

GEOFF Stevens, media director for J Inglis Wright, and a relative newcomer to this country after many years in United Kingdom advertising, brings a widely different viewpoint to this country's advertising scene.

He sees New Zealand as a land of strong contrast. "Where else can one see Poms, Polynesians, pines and palms in the same street?" he asks.

He is surprised at the very real affluence here. It is a degree of affluence sufficient to attract the multi-national agencies to these shores which means the setting of international standards of operation. As a result, he believes, commissions are well and truly earned.

To advertisers who, in order to counter the problem of increasing media costs are required to find more cost effective ways of using media, Stevens' views on our mass media will be interesting.

By United Kingdom value standards, he finds our television is excellent. The cost of reaching a thousand housewives in this country is almost half that of Britain — and higher coverages are likely here after 100 rating points have been reached.

With commercial content of both channels at an all time high, he sees the commercial break make-up as "too tight" and sometimes imperceptibly running into programming.

When the present television debate settles out, he said the result should be a better deal for the advertiser and public alike. Though there is some leeway in value terms, Stevens considers, television will not command premium rates on scarcity value alone.

Commercial radio in New Zealand is long established, popular and thriving. Approximately the same number of commercial stations exist here as in the United Kingdom, illustrating British caution in this area.

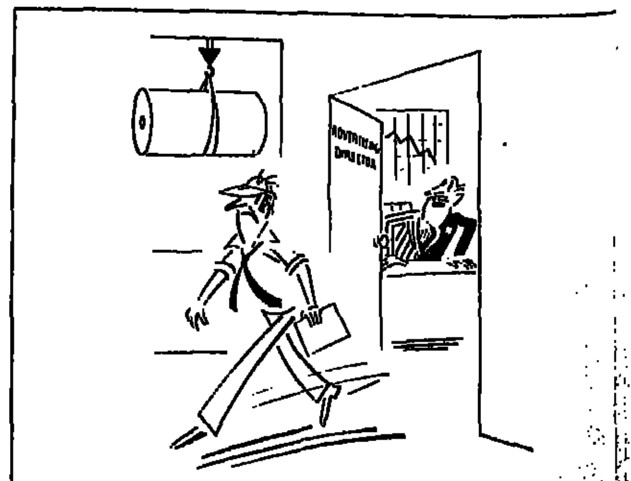
Stevens said that part of the so-called imbalance in television is made up, in part, by radio which does offer local and complementary service and provides "acres of home grown material" as well.

The Newspaper Advertising Bureau is active in stimulating interest in newspapers. But more flexibility and co-operation is needed among newspapers to fight the might of television.

He sees a need for colour alternatives nationally and envisages a colour weekend magazine funded by the major newspapers.

This market is one of the few in the world without a widely distributed Sunday press and on the one day of the week when there is no commercial television, "the press could make a killing".

In the magazine field proper Stevens said there is an avenue for growth open to foreign and international glossies to offer regional facilities here with grouped sales representation.



"Be grateful – you're getting two outside news pages to wrap around the twenty-four-page ad supplement."

Princess scores series of plus points

Motoring Writer

WHEN it comes to comparing cars in the two litre category, some stand out as being completely different. Austin's Princess is that type of car, offering a completely different design concept for the basic family saloon.

Princess has front-wheel drive; interior space equal or better than any other car available; it performs well in the economy race; and has a flexible modern two litre motor.

The Princess has an unusual body design, riding on an efficient hydra-gas suspension system, with power steering in the HL model, to complement excellent road manners.

It has a ride superior to all its reasonable competitors on normal road surfaces at speeds and has height adjustment on the front cloth covered seats . . . the list goes on.

What this all adds up to is a car well designed although somewhat unusual in its execution.

It matches all the competition features, yet is completely different. So different in fact, that New Zealand Motor Corporation are still trying to convince the motoring public that it is an acceptable and superior alternative to the popular Cortinas and Sigmas.

The car is now available as a Manual at $9958, HL manual at $10,831 and HL Automatic at $11,281.

Power steering is standard on both HL models and the car is assembled at New Zealand Motor Corporation's Nelson plant.

The Princess two litre range is being presented by NZMC with a new image. It has been moved to the top end of the four cylinder market. This move is planned to regain some of the lost market share in the executive class, once dominated by the Triumph 2000 and 2500s. It is no coincidence that the advertising proclaims the Princess a "triumph of British engineering and design".

Recent months have seen NZMC's overall market flagging so acceptance of the two litre is important to the company.

The NBR test car was an automatic HL model. Driving the Princess with its power assisted steering showed that it was responsive and very easy to manoeuvre on city roads. The ride is an improvement on the 1.8 model, with less body roll on commencing than before.

The multi-adjustable seats are firm and comfortable but have insufficient support for fast driving.

Visibility from the drivers seat is excellent in all areas except to the rear, which suffers from a very high waist line. Another defect is the ventilation system that seemed more suited to a car of the Allegro's dimensions. This can cause problems on wet days.

Suppression of road noise and wind whistle is very good but engine roar penetrates the interior. The new two litre 'O' series motor is surprisingly noisy and in the rather large Princess it is not as powerful as other 2000cc motors.

It runs fairly roughly although its flexibility compensates for most of its failings. Economy is another redeeming feature. The distributors claim 37.7 mpg at 90 kilometres per hour which compares favourably with the Toyota Corona which returned 39.7 mpg on an AA Motorworld test.

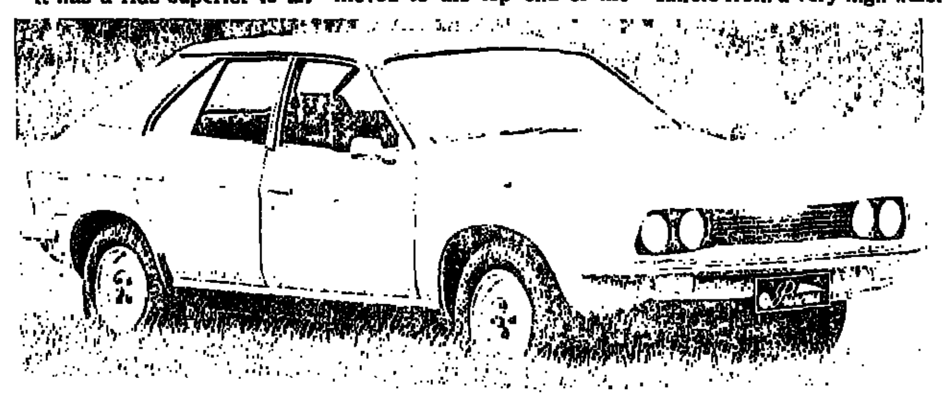
The 73 litre fuel tank will give a touring range of 960 kilometres under ideal conditions. With that sort of capacity, petrol restrictions will present no problems.

The Princess has all the normal warning lights and gauges on a well laid out instrument fascia. It also has a red light that shines if the seat belts are not fastened.

The Princess, in keeping with its ample passenger space, has a large boot but the lid does not open wide enough. It has a reasonably low loading lip but the actual shape of the lid means a greater than normal overhang.

The whole rear end is the subject of another criticism. Styling, while subjective, is poor at the back of the car. The front end is fresh, stylish and different, but the appeal is lost with the angular and high rear angling. Redesign along the lines of the Rover SD1 and the Chrysler Alpine would give overall aesthetic boost.

The Princess is a good design which offers incredible interior space and performs well on all important evaluation points. It is a definite alternative to the more conventional sedans that take the majority of the sales in the large four cylinder class.



PRINCESS ... so different that NZMC struggles to convince motorists

Todds accelerate into second slot

Motoring Writer

TODD Motors has accelerated into second slot in the new car market sales for the first five months of 1979.

Based on latest Post Office figures, Todd has passed New Zealand Motor Corporation and now appears to be challenging Ford. With its revised Sigma range and five door Mirage due later this year, Todd will have a formidable range of cars available.

Registration figures for the Austin Princess in May, show an improved acceptance and NZMC will be looking at its two litre to maintain market share. The revised 1.7 Marina is due soon to bolster its rather light big four cylinder offerings.

Toyota's new Corona has sold well since its March launch and looks likely to push General Motor's Sunbird down a place or two.

Sales of cars with large engine displacement are down on 1978 levels, so the oncoming battle between Ford and General Motors will be interesting. Each will be striving for improved market shares in a category that has been declining annually since 1974. Of the two, General Motors needs a good result from this sector the most, though Ford's head start could pose the General with some problems.

Total registrations of cars assembled locally at 26,003 to May are slightly ahead of the 1978 figure. If current levels are maintained then this year's sales will be around 62,500 units.

Market share percentages for May place 1 Ford with 20.7, year to date (20.1); 2 Todd 19.9, (18.5); 3 NZMC 17.1, (17.6); 4 General Motors 12.7, (12.2); 5 Toyota 12.0, (11.6); 6 Datsun 6.2, (7.1), 7 Mazda 5.6, (5.6); and others 5.8, (7.3).

Top sellers for January to May 1979 were: 1 Ford Cortina; 2 Toyota Corolla; 3 Ford Escort; 4 Mitsubishi Sigma; 5 Mitsubishi Lancer-Mirage; 6 Mazda 323; 7 Holden Sunbird; 8 Toyota Corona; 9 Honda Civic; and 10 Holden Kingswood.

Australia drafts LNG export contracts

Melbourne
Correspondent


THE AUSTRALIANS

DESPITE strong opposition from top Australian energy experts it now appears certain that liquefied natural gas from major gasfields off the coast of Western Australia will be exported.

The North-West Shelf project, the largest engineering undertaking in Australian history, is expected to produce 6.5 million tonnes of LNG annually when production starts in 1985.

Following recent negotiations in Melbourne, partners in the shelf consortium announced the existence of a draft contract to sell the LNG to United States companies controlling the Californian gas market.

During these negotiations, representatives of the Southern Californian Gas Co, and Pacific Lighting, said the total annual production of the gasfields could be absorbed by the United States West Coast and their companies were prepared to purchase it, starting in 1986-1987.

The project will call for $A3000 million over the next five years to bring the gas ashore, but it is expected to generate export income estimated at $A10,000 million.

Financing of the gasfields development is not likely to present any problems. After talks with the Australian Treasurer, Howard, a spokesman for Britain's largest bank, the National Westminster, said it was willing to lead a banking syndicate to finance the development.

The relatively deep water in which the gasfields are located will make offshore production expensive. And firm commitments for the purchase of LNG in either the United States or Japan, are essential for the project's development.

A major partner in the shelf gas consortium, Woodside Petroleum Ltd, recently sent a marketing team to Japan where they found that events in Iran had encouraged great interest in the purchase of gas from Australia.

Woodside Petroleum executive director Charlton said the successful negotiations with the United States companies did not mean any slackening in their efforts to secure a Japanese market for the gas. A letter of intent circulated among potential Japanese buyers has elicited encouraging responses, and there have also been definite indications that Korea could be a useful subordinate market for the North-West gas.

Although the United States companies have indicated their willingness to purchase the entire annual production of the gasfields, Woodside Petroleum have already agreed to sell eight million cubic metres of pipeline quality gas a day to the State Energy Commission of Western Australia.

At the company's annual general meeting in April, its Chairman, J G Donaldson, said the market for pipeline gas in Western Australia and the foreign LNG market were both crucial to the project's success.

When the Australian Labour Government was in office, it favoured the construction of a pipeline carrying North-West gas across the Western Australian desert to a huge national gas reservoir in the Cooper Basin, in South Australia, for subsequent transmission to the eastern States.

The present Federal Government abandoned the scheme, on the grounds that it would be better to sell the gas abroad to earn the money to pay for Australia's oil imports. With the rising price of oil, and the decreasing flow from Australia's existing oil wells, some of the country's foremost energy experts have strongly criticised the export of LNG.

At a Melbourne University seminar on Australia's energy needs until 1985, a senior Defence Department scientist called upon the Federal Government to make more use of the country's gas supplies. By 1985, he said, Australia would only be able to meet 30 per cent of its oil needs, leaving it economically and militarily vulnerable.

Both the New South Wales and Victorian gas authorities have also warned the present Federal Government against the export of the total gasfields' production, arguing that part of the gas reserves should be conserved to meet an estimated shortfall of 3 to 4 trillion cubic feet of gas in the eastern States by the end of the century.

They have urged the Federal Government to construct the transcontinental pipeline, but so far, the Government has rejected the scheme. Predictably the announcement that the North-West Shelf gas will be exported has led to renewed calls for the Government to rethink its opposition to the transcontinental pipeline.

Banks form foreign currency hedge market

Melbourne
Correspondent

AUSTRALIAN Bankers' Association chairman, Mr R J White announced the other day, the formation of a currency hedge market among Australian trading banks.

Australian trading banks have generally opposed the establishment of a non-bank currency futures market, proposing instead the operation of their own scheme to offset fluctuations in foreign currency. When Treasurer Howard announced in January his Government's support of a currency futures market, the banks moved swiftly to establish their own service.

White said the new foreign exchange market would meet a growing demand in Australia for comprehensive forward exchange facilities as protection against volatile foreign exchange rates. The prime purpose of the market was to cover foreign exchange movements by matching customers who had opposing risks; the banks acting as principals in writing the contracts on both sides.

Under the present official foreign exchange market, stringently controlled by the Reserve Bank, Australian exporters and importers expecting payment in foreign currency can sell their contracts to the trading banks. In turn, they cover their risks through forward dealing with the Reserve Bank itself, but the facilities under the current arrangements cannot be extended to those expecting future payments of borrowings or income from abroad.

The absence of such general protection in the past has led to substantial losses by some Australian companies, and the growth of a "grey market" among brokers matching transactions overseas. By contrast the new arrangements will cover not only the export and import of commodities and manufactured goods but also the invisibles; capital, dividends, freight, and insurance.

In another significant departure from current practice, the trading banks will permit those not directly involved in trading or cap[ital] transactions to particip[ate]. Such speculators will also be allowed to trade on both s[ides] of the contract, in contrast [to] the present "grey" he[dge] market where the speculator [is] limited to one side of the contract.

One major Australian trading bank has alre[ady], however, lost about $A70,[000] rather than break faith with [a] valued corporate custome[r]. The company was initi[ally] quoted the going market r[ate] from a merchant banker a[nd] then in error, offered a m[ore] favourable rate from [the] trading bank. The bank told its customer that it w[ould] honour the commitme[nt], despite the substantial l[oss] incurred by the error, but [the] case confirms misgivin[gs] expressed by some observe[rs] that Australian trading ban[ks] could not successfully opera[te] the currency hedge marke[t] without relying heavily [on] the experience of the merch[ant] banks.

The merchant bank[s] themselves proposed [co-]operation with the trad[ing] banks in setting up the n[ew] market, but the offer w[as] declined. In practice howev[er] the trading banks ar[e] depending considerably on the knowledge of the merch[ant] banks in their operation of [the] basic practices of the curre[ncy] hedge market.

In turn, leading merch[ant] banks have already applied [for] floor membership of th[e] Sydney Futures Exchange following the Feder[al] Government's approval of [the] establishment of curre[ncy] futures trading later this ye[ar]. A spokesman for the Australian Bankers' Association said that sho[rtly] Australian trading banks wer[e] also considering membership. When that is established, the Australian currency hedge market will comprise the official Reserve Bank service, the trading bank scheme, the "grey market", and the Sydney Futures Exchange, the resulting blend being [a] welcome if tentative step toward a full foreign exchange market.

New law has not stopped investment invites—yet

by John Draper

SECURITIBANK - style fund-raising techniques are still being used despite efforts to control them in the Securities Act passed by Parliament last year.

Investors are recruited by offers of advice, or investment opportunity advertisements, without any financial details being disclosed.

Both big and small investors are the target, drawn into direct contact with the firm seeking to borrow money.

Pressure from investors who lost heavily in Securitibank and other company crashes, prompted the Government to act.

The Securities Commission was the Government's answer. It was given wide ranging powers to control the issue and content of prospectuses and to ensure that money is not solicited without such details being made available.

But the commission has yet to take its full powers. And the Justice Department which controls the current law, the Companies Act, is too overworked to watch every fund raising issue.

The Justice Department is not particularly interested in five figure plus investors. NBR has been told that those people ought to be able to look after themselves.

The facts differ.

A husband and wife together lost $38,000 when Securitibank went down, money they had invested on the advice of their accountant.

Retirement savings of $35,000 were lost by one person when the Universal group crashed. That money was placed on the advice of an investment consultant.

Similar losses by individuals are recorded against the Mark Craig Group and JBL.

An example of "investment opportunity" soliciting is a letter received by some Wellington solicitors from Kevin Morris, the managing director of McQuarries Admail Ltd.

Morris writes: "I have been requested to write to a selected list of business people and companies in the Wellington area who may have sufficient free capital to invest in some worthwhile business opportunities.

"My client is a large multinational company with substantial worldwide investments in the motor trade industry, but for reasons which will become apparent at an interview, do not wish to disclose their identity until then.

"As there will only be so many investment opportunities immediately available, I suggest it would be to your advantage to make yourself known to me without delay.


THE LAW

"Your reply in writing will be treated as strictly confidential, and as soon as received, arrangements for you to meet at a time convenient to yourself, will be made by a company representative.

"By replying you will no way put yourself under any obligation."

Morris was reluctant to talk about the letter.

The method had been used several times before for clients who wished to remain anonymous, he said.

People responding would get a letter thanking them for their interest while their credit rating was established.

"If they were found to be suitable, Morris said, they would then be contacted and invited for an interview.

"We are only interested in people with $50,000 plus to invest," he said.

Morris declined to tell NBR who the multi-national company involved was. He did say, however, that the opportunities offered had also been advertised in the Manawatu and Wairarapa.

Around the same time, a McQuarries advertisement appeared in the Manawatu Evening Standard offering petrol service stations for sale or lease.

"Chances to get into the service station business do not emerge frequently," it read.

If you have some finance ... get in touch with us now. We'll be delighted to have a chat with you without any obligations."

Morris refused to confirm or deny that there was any link between the advertisement and the letter sent to some solicitors.

The oil companies are barred by law from owning more than a handful of petrol stations. But they have been known in the past to use agencies like McQuarries to select suitable owners for service stations that do occasionally come up for sale.

Morris was unabashed by suggestions that the letter might be questionable in terms of the Companies Act and the Securities Act when enforced.

Morris claimed the recipients of the letter had been carefully selected — solicitors with trust funds to administer were one of those who might be interested in the investment opportunity, he said.

A recent Australian court case decided that people selected at random could not be held to be the public.


KEVIN MORRIS ... reluctant to talk.

But the new Securities Act states in section 3: "Any reference in this Act to an offer of securities to the public shall be construed as including (a) a reference to offering securities to any section of the public, however selected; and (b) a reference to offering the securities to individual members of the public selected at random and (c) a reference to offering the securities to a person if the person became known to the offerer as a result of any advertisement made by or on behalf of the offerer and that was intended or likely to result in the public seeking further information or advice about any investment opportunity or services — whether or not any such offer is calculated to result in securities becoming available for subscription by persons other than those receiving the offer."

A following subclause excludes "any person who in all circumstances can be properly regarded as having been selected other than as a member of the public."

An "offer" is described as including "an invitation, on any proposal or invitation to make an offer" and "securities" as "any interest or right to participate in capital, assets, earnings, royalties or other property of any person."

Securities Commission chairman Colin Patterson is "very interested" in McQuarries' letter.

"It is exactly the sort of thing we would like to look into," he said.

A dossier of similar letters, other circulars and advertisements is being collected by the commission while it works to define its powers.

Three broad topics are being given top priority: financial advertisement; the form and content of prospectuses; and the standardisation of some legal documents.

Patterson says it is unlikely that the commission will be ready to put the Securities Act into force until the middle of next year.


COLIN PATTERSON ... must give certain data.

"What the law contemplates is that where securities are offered to the public or invitations solicited from them to take up investments, then the person who is soliciting the offer must give certain financial data.

"We think this is an important point," he said.

BMG

INTERNATIONAL COMPUTERS
BUSINESS MANAGEMENT GAME

IN ASSOCIATION WITH NATIONAL BUSINESS REVIEW

AROUND 1000 people spread throughout New Zealand are currently pondering the results of four periods of decision-making in the first round of the 1979 International Computers Business Management Game.

Some 242 teams entered this year's BMG and they have come from such diverse areas as Government departments, chemical, furnishing, motor and motel companies as well as entries from chartered accountants, finance companies along with several private entries.

The team with the highest profit after period four of the first round is one from Fibremakers NZ Ltd with a profit of $13,049,000 while the team with the greatest margin over its nearest competitor is a team of Christchurch chartered accountants. Their winning margin at present is $2,649,000. The team with the slimmest margin is a Lower Hutt team, George Stuart and Associates, who are ahead by a mere $5000.

Few of the leading teams have margins of more than $1 million over their nearest competitors.

BMG Administrator, Dr Mike Jameson of ICL, set the teams a fairly hard task for the first four decisions they had to make.

In the first three they were told that industrial action meant they were unable to buy plant to expand production. At the same time the market was buoyant.

Teams that took the hint and trimmed marketing expenditure to the bone, as well as pushing their prices as high as possible, made real killings, Jameson said.

For the fourth period, teams were told they could now buy plant but that the "government" was moving to mop up excess liquidity. Many teams expanded production levels drastically and now, with some in serious cash difficulties having paid their taxes, many of the leading teams are going to have to look to their laurels over the next three decision periods in order to retain their lead.

In a change from previous years', ICL Business Management Games the two teams with the highest profit in each game will go forward to the second round.

Accordingly the names of the leading teams and the profits of the team closest to them have been listed this year.

The following is round one halfway position for five team games except where denoted +, which are four team games.

In game AA4, the leading team is Aulsebrooks with an accumulated profit in $,000s of 6,206 with the next team on (5606); AB4, B E Consolidated 8207 (8136); AC5, Beecham Research Labs 7871 (7817); AD2, National Chartered Accountant (Auckland team) 7453 (6992); AE3, Columbus Maritime Services 7235 (6747); AF3, Fibremakers NZ, Team 2 11,232 (9690); AG3, Fibremakers NZ, Team 1 13,049 (12,519); AH3, Feltex Furnishing Group 9883 (9154); AJ5, MSI Manufacturing 8080 (7735); AK2, IDAPS Computer Science (NZ) 10,574 (9848); AL2, Middows Taylor 8420 (7346); AM5, J & R Strevens 10,534 (10,069); CA3, NZI Finance, Team 3 6385 (6330); CB4, UEB Industries (Papatoetoe) 9463 (8664); CC5, Auckland Hospital Board 10,725 (9255); CD1, Tasman Pulp & Paper, Team 3 8968 (8479); CE3, Trigon Plastics, Team 2 11,036 (10,224); CF2, AutoLodge, Hamilton 6841 (6499); CG2, Winstone Wallboards 9232 (8436); CH3, Rangipo Syndicate 9172 (8871); CJ4, R F & M W Schwartz, Tirau 12,571 (12,422); CK2, MWD, Turangi 9685 (8980); CL2, Treloar Enterprises, Hamilton 9533 (8980); CM2, Hastings City Council 8607 (8216); WA4, Bata Company (NZ) 9651 (9297); WB4, Civil & Civic NZ 7839 (7577); WC3, Dyes & Chemicals 11,358 (10,176); WD4, Ford Motor Co, Team 3 10,223 (9553); WE3, Gini Syndicate, Wellington 12,203 (10,864); WF2, Ford Motor Co, Team 4 5687 (5581); WG1, Ford Motor Co, Team 1 10,389 (9583); WH4, Wellington Chartered Accountant 8840 (8328); WJ2, MWD Head Office, Wellington 11,138 (10,401); WK5, A King & Associates, Lower Hutt 10,138 (9420); WL4, George Stuart & Associates, Lower Hutt 9085 (9080); WM3, B McCulloch & Associates, Wellington 10,862 (9704); +WN3, Dept Social Welfare, Head Office, Wellington 10,912 (8639); SA3, B P (NZ), O R Section 11,227 (10,241); SB2, Ministry of Transport, head office 9332 (8788); +SC1, State Insurance, head office 7819 (6866); +SD2, Alliance Freezing Co (Southland) 11,695 (9490); SE4, Downer & Co, Dunedin 7352 (6208); SF2, National Chartered Accountant (Christchurch Team 1) 10,174 (9597); SG4, Homes & McKenzie, Scargill 7609 (7420); SH2, National Chartered Accountant (Christchurch Team 2) 7439 (7272); SJ5, Christchurch Chartered Accountant 8891 (7146); SK1, National Chartered Accountant (Dunedin Team) 9594 (8629); SL1, Christchurch Chartered Accountant 12,267 (9618); SM2, Latimer Holdings, Christchurch 10,854 (8809).

Wildlife fights for safe haven

by Belinda Gillespie

THE Internal Affairs Department seems an unlikely haven for the New Zealand Wildlife Service. But that's where it is, and where it would like to stay, despite efforts by other Government departments with conflicting interests to transfer it.

The Wildlife service has a history of thorough investigation. Of 11 studies in the last 15 years, the most famous is the 1968 Hunn Report, and the most recent that of the National Research Advisory Council working party, whose recommendations were published last year.

One of Wildlife's problems is shared by other scientific institutions — to what extent should the roles of research and administration be integrated? The latest committee (the NRAC Wildlife Research Working Party), looked at the organisation of research, but put off the question of administration of the division until the review was completed.

It was however, concerned with management which, in wildlife terms, is management of the animal itself as opposed to wildlife administration — the machinery for administering both research and management.

In general, the working party agreed with its two immediate predecessors, recommending that research and management should stay together regardless of how the wildlife area might end up or be restructured.

Considering the number of Government departments which have a piece of the Wildlife action, small wonder that the committee found some gaps, overlaps, and unprofitable lines in various fields.

Besides Internal Affairs, the Ministry of Agriculture and Fisheries and the Forest Service, each has a slice in relevant areas.

So does Lands and Survey, the DSIR, particularly through its Ecology Division, and the Ministry of Works and Development.

Also involved are 24 acclimatisation societies, largely concerned with the management of game birds and game species of freshwater fish. Straddling all these agencies are a host of committees with representatives from various disciplines.

The conclusions of the latest committee report are similar to many of its predecessors.

There is no broad wildlife policy into which research projects and priorities fit, and the total research effort is unco-ordinated. Management, split amongst the various departments, is confusing and inefficient. Communication between research and management is unsatisfactory.

Although research into "problem mammals" control (deer, opossums, goats etc) — in which the DSIR, the Ministry of Agriculture and Fisheries, and the Forest Service are involved — is part of wildlife management, its emphasis on destruction is considered incompatible with wildlife management as a whole which is working towards the conservation of native species in particular.

The working party came down in favour of one organisation in which wildlife research and management could be a homogenous entity, and where the operations of the various agencies could be integrated.

This organisation "should have as much autonomy as is consistent with the prudent expenditure of public funds".

Its nucleus should be the existing Wildlife Service of Internal Affairs, plus certain Fisheries activities from the Ministry of Agriculture and Fisheries, and some thought should be given to adding activities of the DSIR Ecology Division.

Problem mammals control should stay where it was, the implication being further that Wildlife should not go to one of the departments which was exploitation and destruction rather than conservation orientated.

Nevertheless, it should come under the umbrella of one of the Government departments, but with responsibility to a statutory authority to give it the necessary autonomy.

The "unitying elements" of wildlife were identified as environmental protection, recreational opportunities, habitat preservation, and the conservation of native species.

Since the departure of the former Director of the Service, Dr Gordon Williams, to take up a professorship at Lincoln College, the latent question of which department should have the Service, and how it should be run, has come into the open.

Professor Williams' position has been advertised as a purely administrative one, graded considerably lower than it was previously. The down-grading of what was before a high scientific and administrative post is, in Williams' view, evidence of the State Services Commission's determination to winkle Wildlife out of Internal Affairs.

Reducing the grading means that no suitably experienced scientist is likely to apply for the position, and the appointment of career administrator will be to the detriment of the service. It means also that Williams' former deputy — a scientist, and a member of the Wildlife occupational class all his working life, can't be appointed to the job without giving up that status.

With extensive experience of wildlife organisations both within and outside New Zealand, Williams has grave fears for the future of the service if it is moved to any other department. He claims support for his view that it should stay within Internal Affairs from informed members of a number of scientific societies and sportsmen, as well as his former colleagues.

Although admitting the need for more streamlined administration, Williams points to the United States Fish and Wildlife Service, a section of the Department of the Interior, as a precedent.

"The service can't be seen to be independent if it's tied to an exploitative Government department. The Forest Service, Lands and Survey, Agriculture and Fisheries are each concerned with only one part of our environment. The Wildlife Service has a universal responsibility, with a writ over lands of all tenure from the Cook Islands to the sub-Antarctic.

"If, like National Parks, Wildlife were to come under the Lands and Survey Department, it would lose some of its tenure. If it were put with the Forest Service, its effectiveness as a watchdog over native forests would be reduced.

Williams points to recent criticism of Lands and Survey in relation to its National Park administration, and the Ministry of Agriculture and Fisheries in its Marine and Freshwater Fisheries activities, and questions whether either has the capacity to take on an organisation with the scope of Wildlife, given such a record.

Williams suggests that the policy whereby Government Departments can't criticise themselves or each other is unproductive. This led to long-standing strains between organisations, and a "postman's knock" situation where the public remained in ignorance of the implications of bureaucratic decisions; the situation with the Wildlife Service being a case in point. "Unnecessary secrecy and over-protection of Departmental vested interests" benefited neither the agencies themselves nor the public.

Snap sales tax plunges NZ boat builders into deep water

WHEN Government hit the boat industry with a 20 per cent sales tax several weeks ago there were howls of disbelief. The industry united briefly, determined to fight what it then thought had to be a ghastly mistake.

Government, boat builders believed, would see it was bringing the industry to its knees, that hundreds of people would lose their jobs, export prospects for many would be wiped. And certainly, they reasoned, Government would see the unfairness of retrospectively taxing the thousands of dollars worth of work already underway.

Many felt the decision had been made on the basis of little or no research.

But now the dust has settled. Hopes of a reprieve are rapidly fading. The industry has fallen back into its customary state of fragmentation as individual companies plot survival footwork.

The shakedown pattern is emerging: those in weaker positions have already gone under or accepted that they will go under once current work runs out; others are looking for loopholes in the law to elude the taxman.

At least half a dozen companies with export markets already established, have sent men overseas to look at taking their capital and expertise out of New Zealand forever.

Those who are staying behind to battle on, have no illusions about the future — their domestic market is in tatters, their export base is wiped.

by Helen Vause

THE New Zealand boating industry has always been a fragmented, and in many cases, shoe string operation without united representation.

It took the imposition of hefty sales tax in May to unite the industry. But even then, the hastily organised lobby was only partially representative and had no channels through which to collect accurate industry statistics.

When the sales tax was introduced, the industry's angry howls attracted patchy publicity but still no real picture of the industry emerged.

It is conservatively estimated that there are about 200 boat builders round the country. But there are no figures available on aligned operations such as sailmaking and marine equipment companies.

Before the 20 per cent sales tax was introduced on May 17 times were tough enough. More than a dozen had closed their doors.

In Auckland at least two companies were in receivership. Others were operating only at a fraction of their capacity.

Nevertheless, out of the predominantly Auckland-based industry, an international reputation for both design and building quality had been well established.

This reputation has turned some otherwise uncompetitive export items into internationally desired products and exports had increased tenfold in the last two years.

With an estimated 110,000 pleasure boats in the country (about half of them in the Auckland area), New Zealand has one of the highest boat ownership rates on a per capita basis.

According to an Otago University survey released last year, the industry employs about 2000 people, has a turnover in retail value of around $65 million of which $4.5 million is exported.

Before May 17, the industry was aware worse times were ahead and that some increase in sales tax was likely. Accordingly, some had the foresight (particularly mass production concerns) to reshape their operations. But even the more pessimistic had not anticipated a tax hike of 20 per cent.

Whether they were exporting or still just thinking about it, no one had counted on the local market being virtually wiped out overnight.

The many one-off builders who'd developed their reputation with large expensive custom-built boats, could scarcely change course anyway and twenty per cent on top of a $250,000 contract was obviously a far greater catastrophe than the same percentage on a three metre runabout.

Despite disastrous forecasts from the industry, Government has reconfirmed that the tax is here to stay, for the short term at least.

Increasingly, the industry is accepting the tax as a matter of fact. But there is still an active battle for some degree of reprieve.

This is led by Murray Barret, president of the Boating and Marine Industries Association which represents about 50 members of the industry.

Barret still says Government will at least partially back down if presented with enough information on the industry's potential.

His association estimated that 30 per cent of the industry workers soon will be laid off and that that figure could climb to 50 per cent by the end of the year.

Already 11 member companies have said they will close down.

His association's survey of export growth shows exports in 1976 were only $350,000 and climbed to $3.5 million by 1978. Our research shows that this year's figure would now beat at least the $5 million mark.

Barrett said: "Export growth has been excellent in recent years and the potential was great.

"Successes came from sheer skill and perseverance in the face of deteriorating local conditions. By wrecking the local market this tax has wrecked the necessary base for an export future.

"The tax was not researched at all — no member of our association was approached for data. Further our Government took no notice of developments in the boat industry around the world," he said.

Barret points to developments in Korea. The Government there has licensed 20 boat builders who will receive assistance to develop an export industry designed to build over 4000 yachts with a value of $100 million a year by 1981.

"The base is here — why the hell can't we look to an export future like that?", asks Barrett.

"The industry has had its share of problems already with the fuel crisis, rising material costs, and fairly heavy component taxes drifting on steadily over recent years, but no one could have been prepared for the latest blow.

"It is morally wrong for Government to change the rules after the game has already started by taxing work already underway. Further, they have now given the private individual an advantage by backing down on taxing them. We are the ones who provide employment and revenue, not the backyard builders," he said.

Initially, private individuals would have been liable to pay the tax but they are now exempt unless they sell their boat within two years.

Barrett said he was angry that the New Zealand Government did not heed what happened in Britain in 1975 when VAT was increased on the industry from 10 per cent to 25 per cent overnight.

British industry representatives say United Kingdom sales almost stopped altogether and boat building headed for "annihilation" within weeks of the increase. Within a year VAT in the British boating industry was cut back to 12½ per cent.

Six months after the massive increase research by the British Ship and Boat Builders' National Federation showed decreases in orders of 61 per cent, a decrease in monthly enquiries of 40 per cent and a cut back in employment of 17.9 per cent.

One British industry source writing to New Zealand says of the British episode: "The revenue received was considerably less at 25 per cent than was the case when we had 10 per cent VAT. The pressure put on several small businesses caused bankruptcies and in total must have reduced the exports of boats from this country, as virtually all manufacturers rely upon a good home market as a base from which to operate in the more competitive export fields."

And for the industry at home, the British pattern is already too familiar.

In Whangarei the results of the sales tax are more easily assessed than they are in a large city like Auckland.

Whangarei has 18 boat builders. Two hundred people are employed directly in the industry and about a further 100 indirectly as contractors: plumbers, painters, sailmakers, upholsterers, engineers and hardware suppliers.

Peter Southey, chairman of the local boat builders' association said about 50 people will lose their jobs in the next three months. He said there was $990,000 worth of work underway, or on order before the sales tax, of which $459,000 has now been cancelled.

Forward orders in the town for the end of this year are nil. Southey said: "Our decline will not be spectacular, just the final death gurgle — we were already at subsistence level."

"Northland already had severe economic and employment problems. Was this ever a consideration of Government's? At the moment we are loathe to call for consideration as a special case but when people lose their jobs up here there is nowhere else to turn for an income other than the dole queues.

"What can this measure bring to Northland other than serious economic and social consequences?" he said.

It could be conservatively estimated that the 300 affected Whangarei workers would be supporting at least a further 300 dependants.

Two local builders have already gone to Australia to look into taking their businesses there. Meanwhile, the Northland group is one of several looking into the legality of Government's retrospective tax on contracts already underway.

Southey said the sales tax on boats could be one tax too many for the local Customs department. "They are still racing about trying to license ice cream parlours to collect that new tax too — its bureaucracy gone mad".

In Auckland too, embittered boat builders are planning their export-or-sink strategies against a similar backdrop of sackings, company collapses, cancelled orders and severe loss of confidence.

Even at Salthouse Brothers, where more than half the eight metre plus boats are produced, talk is of surviving rather than thriving.

The company has a turnover record between $1.4 million and $1.75m for the last couple of years. Their exports total $0.9 million.

Chairman John Brooke said: "If this had happened a couple of years back we would have gone under too. We will survive but we are going to have to look at putting our men, moulds and expertise overseas. Co-operative ventures will bring profit back here and give the people we work with overseas the advantage of our expertise."

"The standard of design and boat building in New Zealand is world class — we can compete only on a quality basis — there is no other way we can compete with Hong Kong, Taiwan and Korea.

"We have developed from a small family business to a limited company by reason of quality and excellence in design. Our throughput has risen to a high of $1.8 million a year but has dropped back this year to half this figure.

"We have actively developed overseas markets for New Zealand products and in addition we have exported moulds, manufacturing tools, designs and knowhow to Australia, Sri Lanka, Korea and Hong Kong.

"A sound export business depends on our ability to hold good staff and a steady local market. Today our domestic market has collapsed.

BOAT BUILDERS . . . battle continues for some degree of reprieve.

Unwittingly, Salthouses have exported boat builders too.

"Of the 15 apprentices we have trained in the last 10 years, nine are now overseas in good, controlling jobs. Whilst it's flattering that they are in demand, it is bad for New Zealand in the long run. It is the skilled who can get New Zealand back on her feet."

In all, Salthouse Brothers have trained 30 apprentices. This year there will be no new apprentices for the first time at the yard. "The outlook for them is just too grim," said Brooke.

"The Government's sums just won't work out. The talented young men will go and the industry may never regain its potential," he said.

One talented young man thinking of leaving New Zealand is Phillip Thackwray at Kumeu engineering. His is a small operation in staff terms, but he specialises in large expensive custombuilt boats.

He is not affected by the sales tax because his orders are all for export. Thackwray says he is simply "fed up" and finds the sales tax repugnant on principle.

He has exported $1 million worth in large boats and has a further $2,050,000 on order.

"I am seriously considering taking my orders with me and setting up overseas. Why stay? The only thing skilled people are motivated to do by the Government is to leave," Thackwray said.

Since the announcement of the sales tax, many boat builders have been looking at transferring their operations to Australia. But Peter Gribble of Sea Nymph has already come home believing the grass is not greener there.

Sea Nymph is a major producer of power boats and more recently trailer sailers at its large Glen Eden factory. The company has built over 6000 power boats since 1964 in the four to eight metres range.

It diversified into trailer yachts two years ago and now yachts make up the production bulk. It exports about 20 per cent of output.

In peak times, it has had 70 staff. Before the sales tax hit it had 50, but soon after the tax announcement Gribble sacked 20.

"We were not carrying anyone — it was an agonising business of picking people out right across the board. Most of the skilled people I sacked won't get another chance in this industry."

Gribble said he has cut production back by about 40 per cent and says it is impossible to operate efficiently running so far under his factory's capacity.

"As predominantly power boat builders, we had seen the writing on the wall some time ago and had moved into trailer sailers. This latest blow has got to be the last straw for the power boat industry," Gribble said.

And although Murray Barrel says fuel is not a major consideration in the power boating field, outboard motor imports have dropped drastically, from 18,000 units in 1974 to only 5700 in the past year.

Down the road from the Sea Nymph factory at Bonito Craft, Wilf Hoelen an old power boat industry hand has sacked 10 of his 25 staff.

Hoelen has been in the industry for 23 years and been involved in building 7000 fibre glass boats.

Before starting Bonito Craft and developing the boats of the same name he had set up the Sea Nymph operation. At Bonito craft he has been exporting 20 per cent of his production.

Bonito Craft make both power boats and trailer sailers. His local market for both, is dead.

Hoelen said all his domestic orders have been cancelled.

He rejects rumours that his company is on the brink of collapse.

"I have been in this business a long time. I will survive. But I admit the boat building business has never been very profitable. It is too labour intensive and it is very unfair to tax the labour content," he said.

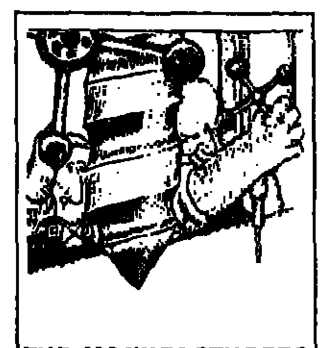
Hoelen has been exporting in volume for three years and is proud to point out that he was the first to export trailer boats to Australia.

At the Fibre Glass Moulders factory where the Fleetline and Haines Hunter small fibre glassboats are built the picture is equally bad.

Manager Tony Bridget expects his annual turnover of $1 million to drop to $150,000. His company has diversified into unrelated areas and he expects to need this sundry work to keep the boat building arm afloat.

"It is bad business but it is the only way we can hope to build up our export future," Bridget said.

"Mr Muldoon opened our factory just a few years ago with enthusiastic words about initiative and private enterprise. How can we have any confidence in this when Government turns around and wrecks all that we have built up."



THE MANUFACTURERS

Paul Whiting at Paul Whiting Yachts is another established builder who is thinking of moving off. In the last two years his company has exported $170,000 worth of boats and accessories.

"Without the domestic market we can't keep that up. We have to think about moving off — there is no incentive left here," Whiting said.

He says layoffs are inevitable at his factory.

Boat builder John Lidgard has already laid off two of his 10 staff. He has four apprentices and is reluctant to sack them: "That would finish the future," he says.

"The local market is finished. Anyway, the sort of people who can afford to buy boats are leaving in their droves too."

Lidgard is going to visit the United States where he hopes to sell ocean racers. Meanwhile much of his factory space at home is occupied by a large unfinished boat because its owner has told him to stop working until he has explored the legality of the retrospective sales tax.

Lidgard says he would consider taking his operation out of New Zealand but it is already committed to building a new factory.

At Yachtspars NZ Ltd, leading manufacturers of spars and rigging, Max Carter wouldn't confirm that his company is packing up and leaving but agreed the idea had been discussed. Meanwhile he is busy arranging for other skilled people to leave.

Carter has been asked to recruit skilled workers for both Sri Lanka and Taiwan.

"I have been finding people for that part of the world for the past 18 months," he said.

"The companies expect them to work hard but they earn big money, tax free and they get free accommodation, free food and free transport.

"Builders in these countries get soft loans and loans wiped off if certain targets are reached. The incentives are certainly there and skilled New Zealanders are in demand in the boat building industry," he said.

Yachtspars has an excellent export record and won an export award last year. The company now exports 80 per cent of its total production and has been doubling its exports every year for four years. Post sales tax, local sales have dropped by 83 per cent.

"No one researched this thing — I doubt that Government would know a boat from a bumble bee unless it stung them. This Government has taken a swipe at all the things it is supposed to stand for. We wouldn't leave New Zealand by choice but we could be forced to," Carter said.

And if the boat industry was caught by surprise with the massive sales tax, so too was the Department of Trade and Industry, in Auckland at least.

Auckland boat builders sourly report calls from department staff asking how the tax has affected them.

Murray Smith, Auckland assistant district officer for industry confirms that his department has done a hurried report for head office on the aftermath of the tax. It will be little solace to the industry to know that his staff have officially reported to Wellington that things are bad indeed for the boat building industry.

IBM draws lottery

by Stephen Bell

RESULTS from the long-awaited IBM 4300 "lottery" emerged late last month, with leading opposition companies ready to start chasing the unlucky candidates who face a long wait for a 4331 or 4341.

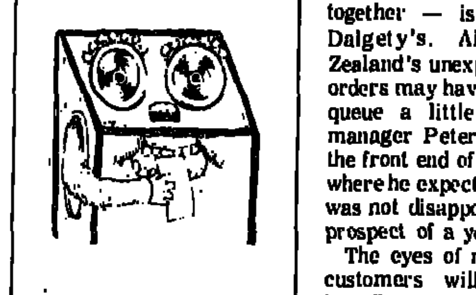
The lottery is drawn to decide the order of delivery to customers who placed their order within six weeks of IBM's announcement of the new machines — a period termed by IBM the "first-day window".

A strict delivery according to the sequence of order placing might penalise a company with a wait of several more weeks for a machine when its order had been signed only a few minutes after that from another company.

IBM, in accordance with its usual policy, has declined to comment on the lottery results, but first indications are that for the 50 or so prospective New Zealand users, the front of the 4341 delivery queue lies some time around October next year and for the unlucky back end clients, delivery will be delayed until the last quarter of 1981.

Many of these, including such prominent customers as the Dairy Board, will not be prepared to wait this long and will be considering alternative solutions.

In practice, this will almost certainly mean going to another manufacturer, though



COMPUTERS

IBM will undoubtedly be pitching various of their earlier machines as "stop gap" solutions, to retain the accounts.

The 4331 situation is better, with latest deliveries still well within 1980.

The first 4341 machine in the country — or one of the first, since several may arrive together — is likely to be Dalgety's. Although New Zealand's unexpectedly heavy orders may have stretched the queue a little, Dalgety DP manager Peter Crawford felt the front end of the queue was where he expected it to be, and was not disappointed with the prospect of a year's wait.

The eyes of many late 4341 customers will undoubtedly turn first to Itel, with its IBM-compatible Advanced System 3 Model 5. As well as producing a machine claimed to require no conversion of IBM software, Itel is offering attractive price-performance and most important, a 60-day delivery time.

The AS 3/5 is perhaps a little too powerful and too expensive for some prospective 4341 owners, and Itel plans, shortly, to produce another machine, matching it more closely.

No other 'plug compatibles' are in the market yet in New Zealand, so users who change their mind will be faced with a conversion task.

With high-level languages and software "migration" aids, program and data conversion is not the daunting task it once was, but many users could still consider it the lesser of two evils.

With the additional impetus of IBM's good reputation for support, some are confirmed "IBM shops", and will resign themselves to the long wait.

There are many rival machines to choose from, of course, with Burroughs new B2930 and 3950 and ICL's 2950/10 and 2956-40, among others, being released specifically with an eye to meeting the IBM threat.

Even some of the "small" machine companies, like the agent International Data, with its Prime machines, express hopes of picking up some of the 4331 market.

Bar code gets airing

FROM comments at the first public airing of plans for product "bar codes", last month, it seems increasingly likely that this country will enter into a joint arrangement with Australia, to implement one joint Australasian code, which could be adopted by other Pacific countries as they came into the system.

Australian guests at the full-day bar coding seminar in Wellington stressed the advantages of a joint approach, as well as giving New Zealanders a view of the implementation of the bar-code scheme in Australia and the United States.

Failures and shortcomings of past bar code implementations were not pushed under the carpet, but the hope was expressed that New Zealand would learn from other countries' mistakes.

Particularly evident was the necessity to consult thoroughly beforehand with all parties likely to have reservations about the printing of codes on goods.

This would include trade unions, consumer organisations and regulatory bodies, as well as bodies representing retail distribution, and printing and packaging industries, which would be directly concerned with the code's implementation. Several representatives of such bodies were either present at the seminar, or sent submissions.

The bar-code, already familiar on goods imported from the United States, consists of printed vertical bars of varying thickness, which are "scanned" by a moving beam of light in either a desk mounted or a hand-held reader.

The code, identifying the manufacturer and line of goods, is read into an electronic cash register or larger computer system, which looks up the price of the goods in a table.

This is the chief labour-saving aspect of the system — goods need not be individually price-marked — but at the same time it is a potential cause of discontent.

The Universal Product Code, adopted in the United States, consists of 12 digits; a system code, identifying the general type of merchandise; five digits for the manufacturer's code; five to identify the line of goods; and a final check digit.

The system likely to be adopted by New Zealand is the European Article Numbering system. This adapts UPC to include a two-digit code for the country of origin, allowing the same manufacturer and goods codes to be used with different meanings in different countries.

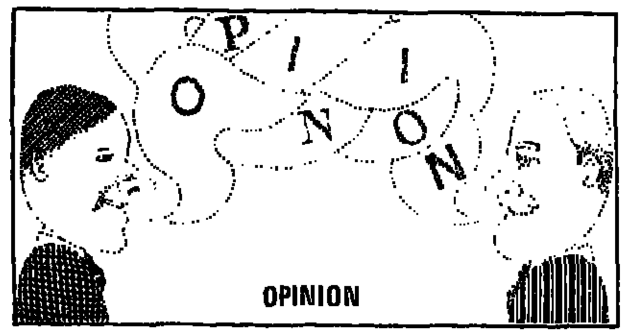
These two-digit codes are rapidly being allocated to countries, said spokesmen at the seminar, and one advantage of a joint approach with Australia is that New Zealand will not need to be allocated a code of its own.

The billion individual codes still available would, it was believed, be sufficient for all lines of goods in both Australia and New Zealand.

The advantage of bar codes on goods for export was stressed, and a wealth of other applications for the codes was discussed, from regulating the distribution of goods to assessing the effectiveness of advertising campaigns.

Planners get A for education and B for health

by Allan Levett



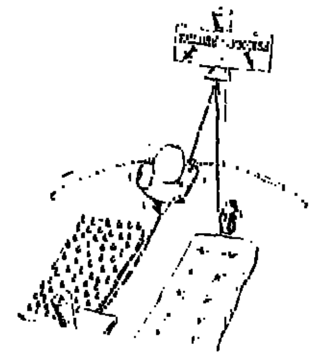
OPINION

THE 1979 Budget moved cautiously in the direction of the Planning Council's proposals on health and income maintenance. But this has not resulted in reduction of costs, the primary intention of the Council's important report, The Welfare State? Social Policy for the 1980s.

In the year ended March 1979, health expenditure amounted to 14.3 per cent of total Government spending, and the same proportion will go to health in 1980.

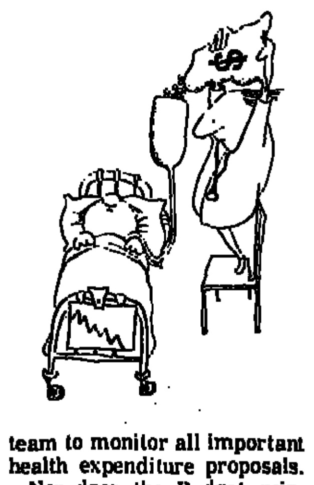
The comparable figures for social services spending, mostly social welfare, and within that mostly National Superannuation, are 27.1 per cent for 1979, and a whopping 29.2 per cent for 1980.

In 1951 health required 8.2 per cent of total Government expenditure while in 1971 and 1975 used 11.7 per cent.



In the health area, the Government proposes to spend more this year on community health projects, a central emphasis in Planning Council thinking.

But while the Budget notes restraints already applied to hospital board grants, it says nothing about the mechanisms which the Policy Council intends will cut costs: improvements in the way hospital boards are funded; the introduction of systematic manpower planning; and the establishment of an evaluation



team to monitor all important health expenditure proposals.

Nor does the Budget reinforce the Planning Council's call for the urgent need to establish policy objectives in the health area.

One broad objective suggested in the report is for Government health policy to "move away from a pre-occupation with the delivery of health services and toward creating an environment in which it is easier for individuals and communities to form habits which will promote physical and mental health".

The council illustrates this principle in action with some sensible suggestions about encouraging a more healthy approach to alcohol, tobacco and drugs in general. The suggestions focus on lifestyle changes, but include another idea picked up in the Budget (with somewhat different intentions,) — higher taxes on alcohol and tobacco "designed to persuade people to take more responsibility for their own health".

Neither the Planning Council, nor the Government will face up to what really rips apart the public health system in New Zealand. This is the continued, flourishing, existence of state-subsidised "private" health operations: medical insurance and hospitals.

Neither would exist without the enormous Government subsidies for capital works, drugs, laboratory services, costly staff training, accommodation, cheap Government loan money, and the tax system which subsidises private medical insurance.

The debilitating result, is to drain the public system of those resources it most needs to provide efficient, varied care, energy and concern, finance and personnel.

This movement of resources in favour of those who can most afford to pay, has set in motion a vicious circle of public health decay. Inadequate public services lead to further growth of the subsidised alternative, which in turn takes more from the public facilities and further increases dissatisfaction with them.

The Planning Council not only fails to draw attention to this cancer in New Zealand's health arrangements, it seems to consider it a viable alternative. "It is of course open to individuals to supplement through private (sic) health schemes the services provided by the state," the council said.

So despite the many excellent suggestions for improving the health care, the Planning Council's concern for cost-effectiveness and justice is severely limited, and it is little wonder that the report admits at one point, ". . . it is extremely difficult to arrive at an appropriate rate of health expenditure."

The challenge still remains in New Zealand to devise a public health care system that we can afford, allows sufficient choice and variety, and is equitable.

I do not have such fundamental reservations about the Planning Council's thinking on education. On the contrary, here, I think the Council mostly breaks out of a strait jacket of the past.

Even the language is remarkably free of those pious euphemisms we often use when talking about education — except when the report deals with today's biggest problem child in the system: the capital-gobbling university. But if the words are wrong on this institution the Council has got the music right.

The section on education is deceptively short and simple, but it gets to the central core of reform. The call is for a deliberate disciplined diversity of educational provisions. Though it does not say so, the report indicates that if we concentrate on what and who education is for, in the first instance, problems of teacher and morale, widespread dissatisfaction with schooling among parents and pupils, will then fall into place.

For early childhood education, the report notes significant societal changes with respect to the family and the role of women, and recommends improved access to pre-school facilities — among other things, to provide an early base for diagnosing difficulties and doing something positive about them.

The council endorses the many strong features already existing in this sector: the variety of family, community and state involvement; the lack of standardisation and red tape; and the flexibility. They are almost entirely the unheralded patient work of New Zealand women over the past three decades, and they provide a useful model for other levels of education.

For primary and intermediate schools the council recommends diversity rather than smaller class size: recognition of different educational needs in the community — different cultures, slow learners, gifted children, special difficulties, special interests — and the training and continual re-training of teachers to respond to those needs.

From what the council says and does not say about pre-school and primary education, one can see the recognition that the costly development of ancilliary services to "pick up the pieces" of school failure, the solution of the past thirty years, is no answer. It is better to make a surer job of teaching the appropriate skills in the first place. This is a major re-direction of educational thinking.

At the secondary level the report continues the call for diversity, the re-training of teachers and for schools to work more closely with the community. Above all, the council wants to see secondary schools break free of the cloying university-based snobbery that has trapped so many children in unsuitable academic programmes, and develop alternative programmes for other talents and energies. The school certificate system should be replaced.

Teachers at all levels will appreciate the council's encouragement of more mobility of staff within the education system and also wider and more flexible bases for recruitment, to obtain a greater variety of experiences among teachers.

In general, the Planning Council calls for a greater openness within education and between it and the community at large so that each may receive stimulation and purpose from the other. This theme is particularly strong, as it should be, with regard to tertiary and continuing education.

The Planning Council is plainly most perplexed by the universities which have taken by far the greatest amount of increases in state spending on education. At this point the report gets expansive, the language euphemistic and the recommendations vague.

There should have been a call for a clear cool examination of New Zealand universities by a skilled observer, impartial, yet committed to the fullest development of the potential that is within our society.

I have long been uncomfortable at the gap that exists between New Zealand universities and the society which pays for them. If ever the charge "wealthy, crass, materialistic, inefficient, vulgar and poorly led" should be levelled at any section of New Zealand society, it seems to me to apply most to the universities. Only medicine, among our institutions, has so relentlessly pursued its own selfish directions and been so immune from public accountability.

Not wishing to delve into this murky area of education, the Planning Council simply and sensibly "recommends that the prospective rate of growth in university expenditure be reduced". But this is not enough for New Zealand to better harness the creative energy that is misdirected, or lies undeveloped, at present.